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INTERNATIONAL COMMERCIAL ARBITRATION AND INFORMATION TECHNOLOGY

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SUMMARY

The thesis is divided into six chapters and it endeavours to describe the interface between International Commercial Arbitration and Information Technology.

The use of computers, e-mail, online conferences and the Internet have two-fold impact on arbitration. On the one hand it sets new standards in International Commerce. Electronic Commerce is an example. Intellectual Property issues also arise over the Internet. The issues at stake with respect to arbitration are, can arbitration be a means of dispute resolution in this context? After a general introduction in the first chapter, the kinds of disputes that may arise over Internet and in Electronic Commerce would be dealt with in the second chapter, while the third chapter will deal with the available options for dispute resolution for these kinds of disputes. Chapter four will focus on how arbitration could act as a dispute resolution mechanism for disputes arising over Internet and in Electronic Commerce.

The second issue that arises is how information technology could be used in arbitration. Could arbitration be conducted online? Many legal issues arise in this context. An example could be the conclusion of the arbitration agreement. The next is the question of where to locate the seat of arbitration. Finally it will be the enforcement of awards that are a result of online arbitration. Chapter five analyses and elaborates on these issues. It will also discuss whether the legal framework is in place to cater to the

would highlight that arbitration could be an effective alternative dispute resolution mechanism for disputes arising over Internet and in Electronic Commerce. It would also emphasize that technology would play a great role in international commercial arbitration in the years to come.

CHAPTER – 1

Introduction

A. Background

Information Technology plays an ever-greater role today. It has impact on all walks of life. Computers and specifically computer networks are changing the law and will change it to a great extent in the near future. They will not just affect legislation but they will change the way lawyers think, the place of lawyers in society, the relationship of lawyers to clients, and many other things we would not expect computers to change.¹ The advent of the Internet has accelerated the efforts by many countries to amend their laws or to bring about new legislation to cater to the use of this new technology.

There is nothing that is bereft of disputes. Similarly the use of Information Technology, especially the Internet creates a lot of legal issues and gives rise to various kinds of disputes. This thesis would analyse some of the commercial disputes that arise over the Internet and how arbitration could act as an effective dispute resolution mechanism for these kinds of disputes. The emphasis would be on international commercial arbitration. Before dwelling into the various issues this thesis will discuss a basic background of Information Technology (especially the Internet) and international commercial arbitration.

B. Internet

“The Internet is an international network of interconnected computers. It is the outgrowth of what began in 1969 as a military program called ‘ARPANET’ (Advance Research Project Agency Network), designed to enable computers operated by the military, defense contractors and universities conducting defense-related research to communicate with one another by redundant channels, even if some portions of the network were damaged in a war. While the ARPANET no longer exists, it provided an example for the development of a number of civilian networks that, by eventually linking with each other, now enables tens of millions of people to communicate with one another and to access vast amounts of information from around the world.”² The best known category of communication over the Internet is the World Wide Web, which allows users to search for and retrieve information stored in remote computers, as well as, in some cases, to communicate back to designated sites.³

Internet law is one of the newest and fastest developing areas of law in the modern world. What we term as ‘Internet law’ is the existing aspects of law that is applied to the Internet in one way or other. In some cases there is specific legislation for the Internet but these are based on traditional laws like the law of contract, law of evidence, criminal law, law relating to Intellectual Property Rights etc. The Internet is a transnational phenomenon. Like a river, it tends to run through nations rather than being

² BENJAMIN WRIGHT & JANE K. WINN, THE LAW OF ELECTRONIC COMMERCE, § 2.07 [A] (3rd ed. 1998).

³ See *id* at § 2.07 [B].

contained within their political and jurisdictional boundaries.⁴ There are various legal issues that arise on the Internet. Intellectual Property disputes arising out of copyright and trademarks are very common issues that arise over the Internet. Domain Names, which are the user-friendly addresses of an Internet web site, are in the forefront of disputes in the Internet world today.⁵ This is mostly because of the registration of domain names that are similar to existing trademarks. Yet another area where disputes arise is copyright.⁶

The advent of the Internet has brought with it a great change in international trade and commerce. Electronic Commerce is developing rapidly and it is predicted that very soon transactions worth billions of dollars will be transacted through the Internet. This E-Commerce boom is not only in places like United States or Europe but also in Asia.

⁴ Lilian Edwards & Charlotte Waelde, *Regulating Cyberspace: Is there a role for law?*, COMPUTERS & LAW 19, 20 (Dec. 1997/Jan. 1998). For a general analysis of Internet issues, see Martin B. Schwimmer, *Closing in on 'Target': The Internet and Personal Jurisdiction*, DOMAIN NAMES SUPPLEMENT 17 (May 1999); Graham J. H. Smith, *Content Laws and the Internet: Whose Law, Which Medium?*, 86 COPYRIGHT WORLD 20 (Dec. 1998/Jan. 1999).

⁵ For a detailed discussion on various aspects of Internet domain names, see Elizabeth H. Cohen, *Domain Name Liability and Litigation Strategy: Who or What to Sue*, DOMAIN NAMES SUPPLEMENT 22 (May 1999); Patrick Gunning, *Law of trademarks and domain names (Part 1)*, 2:1 INTERNET LAW BULLETIN 1 (Feb. 1999); Patrick Gunning, *Law of trademarks and domain names (Part 2)*, 2:2 INTERNET LAW BULLETIN 17 (March/April 1999); Jaqueline Lipton, *What's in a (domain) name?, Web addresses as loan collateral (Part 1)*, 2:5 INTERNET LAW BULLETIN 57 (July 1999); Jaqueline Lipton, *What's in a (domain) name?, Web addresses as loan collateral (Part 2)*, 2:6 INTERNET LAW BULLETIN 69 (Aug. 1999); Andrew D. Murray, *Managing Domain Names: Intellectual Property Issues*, INTELLECTUAL PROPERTY & INFORMATION TECHNOLOGY LAW 2 (April 1999); Shanthini Satyendra, *Internet Domain Names: New Proposals*, COMPUTERS & LAW 16 (June/July 1997); Mark S. Sommers, Christiana J. Hieber & Jonathan M. Gelchinsky, *Domain Name Litigation in the United States*, DOMAIN NAMES SUPPLEMENT 32 (May 1999); Graham Wood, *Management of Internet Names and Addresses*, COMPUTERS & LAW 29 (Aug./Sep. 1999); Nicholas Wood, *Securing Domain Name Registrations*, COMPUTERS & LAW 11 (Aug./Sep. 1998); Martin B. Schwimmer, *World Wide Web: Worldwide Jurisdiction?*, 85 COPYRIGHT WORLD 28 (Nov. 1998).

⁶ See generally Michael Hart, *The Future of Copyright Protection in the Digital Networked Age*, 96

Singapore is a prime example of a country in Asia that has understood the impact of modern information technology on the future of any knowledge-based society. In September 1998 the Government of Singapore drew up a 'master plan' to create an E-Commerce hub that would, in five years' time (i.e., by the end of 2003), ring up trade to the tune of \$4 billion. According to DataQuest research, in 2003, the overall global value of E-Commerce will reach \$US 1 trillion.⁷ There are many new E-Commerce ventures. Here again there are numerous legal issues that arise.⁸

Many nations have enacted legislation to cater to the needs of issues arising out of the use of Internet and Electronic Commerce.⁹ Apart from Intellectual Property

⁷ *Master plan to make Singapore E-Commerce hub*, The Straits Times, Singapore, Sep. 24, 1998 at pages 1 & 38; *Blueprint for E-Commerce sees \$4b trade in 5 years*, The Business Times, Singapore, Sep. 24, 1998 at Pages 1 & 4. Also see, *eResolution online arbitration system targets cybersquatters*, ZDNetAsia, <http://www.zdnetasia.com/news/features/story/0,2000010033,10057118-1,00.htm>

⁸ For an analysis of legal issues in E-Commerce see Rosemary Jay, *Regulating Commercial Activity on the Internet*, COMPUTERS & LAW 12 (April/May 1997); Dave Birch, *Secure Electronic Commerce – I*, 13:6 COMPUTER LAW & SECURITY REPORT 454 (1997); Michael Baum, *Secure Electronic Commerce – II*, 13:6 COMPUTER LAW & SECURITY REPORT 457 (1997); Scott Glickson, *Commerce in Cyberspace: Point, Click and Buy: Contracting for Online Products and Services*, 13:6 COMPUTER LAW & SECURITY REPORT 436 (1997); Paul Mallon, *The Legal Implications of Electronic Commerce in International Trade*, COMPUTERS & LAW 24 (Oct./Nov. 1997); Mark D. Powell, *Electronic Commerce: An Overview of the Legal and Regulatory Issues*, 3:3 INT'L TRADE LAW & REGULATION 85 (June 1997); Heather Rowe, *Legal Implications of Consumer-Oriented Electronic Commerce*, 14:4 COMPUTER LAW & SECURITY REPORT 232 (1998); Heather Rowe, *Internet-Enabled Commerce: International Issues for Business Lawyers*, 2:4 J. WORLD INTELLECTUAL PROPERTY 517 (July 1999); Anne Salaün, *Consumer Protection – Proposals for Improving the Protection of Online Consumers*, 15:3 COMPUTER LAW & SECURITY REPORT 159 (1999); Harry Small, *Commerce in Cyberspace: Marketing on the Internet*, 13:6 COMPUTER LAW & SECURITY REPORT 431 (1997); Benjamin Wright, *Secure Internet Commerce: A Benchmark for Trustworthy Commerce*, 14:4 COMPUTER LAW & SECURITY REPORT 265 (1998); Chris Reed, *Internet Contracting*, COMPUTERS & LAW 36 (Feb./March 1999).

⁹ For analysis of such legislation see Peter Knight, *Recent Developments in Information Technology Law in the Asia-Pacific Region (Part I)*, 14:3 COMPUTER LAWYER 19 (March 1997); Peter Knight, *Recent Developments in Information Technology Law in the Asia-Pacific Region (Part II)*, 14:4 COMPUTER LAWYER 20 (April 1997); Baker & McKenzie, *EU Developments in IP, IT and Telecommunications Law*, 14:6 COMPUTER LAW & SECURITY REPORT 412 (1998); Rosa Julià-Barceló, *A New Legal Framework for Electronic Contracts: The EU Electronic Commerce Proposal*, 15:3 COMPUTER LAW & SECURITY REPORT 147 (1999); Liong Lim, *US Digital Millennium Copyright Act*, 2:1 INTERNET LAW BULLETIN 11 (Feb. 1999); Yee Fen Lim, *Singapore: Internet Regulation or Censorship?*, 2:3 INTERNET LAW BULLETIN 44 (May 1999); James M. McCauley, *Internet Regulation – Legal Ethics and the Internet: A US Perspective*, 13:2 COMPUTER LAW & SECURITY REPORT 110 (1997); Hilary E. Pearson, *Intellectual Property and the Internet – A Comparison of UK and US Law*, 1:5 J. WORLD INTELLECTUAL PROPERTY 827 (Sep. 1998);

and E-Commerce issues there could be other commercial issues on the Internet such as those relating to advertising,¹⁰ trade secrets,¹¹ antitrust law¹² etc. This thesis will for reasons of space be confined to the resolution of Intellectual Property disputes over the Internet and disputes arising in E-Commerce. It will argue that arbitration could be a suitable dispute resolution mechanism in this context and will also deal with the legal issues that would arise if arbitration were conducted online. The next sub-heading would give a general overview of international commercial arbitration.

C. International Commercial Arbitration

Alternative modes of resolving disputes include arbitration, conciliation, mediation etc.¹³ In general, Alternative Dispute Resolution (ADR) is fast, confidential and cost effective.¹⁴ However, the speed factor may not always be persuasive in favour of ADR. For example, in places like Singapore the courts dispose cases in a fast

Tim Pullan, *Data Protection Act 1998: Preparing for Compliance*, COMPUTERS & LAW 32 (Aug./Sep. 1999); Sam Ricketson, "Through a Glass Darkly": *Copyright Law Reform in Australia and the problems of cyberspace, authors' rights and public access*, 2:3 IRISH INTELLECTUAL PROPERTY REV. 17 (1998); Heather Rowe, *The British Government's Proposals for Secure Electronic Commerce*, 14:5 COMPUTER LAW & SECURITY REPORT 314 (1998); Heather Rowe, *E-Commerce Policy Developments in the UK and the EU*, COMPUTERS & LAW 21 (June/July 1999); Ter Kah Leng, *New Laws on E-Commerce: Singapore*, 15:1 COMPUTER LAW & SECURITY REPORT 8 (1999).

¹⁰ Graham Allan, *Advertising on the Net*, COMPUTERS & LAW 26 (Dec. 1997/Jan. 1998).

¹¹ Victoria A. Cundiff, *Trade Secrets and the Internet: A Practical Perspective*, 14:8 COMPUTER LAWYER 6 (Aug. 1997).

¹² Jan Bernd Nordemann, Christian Czychowski, Patrick Winfried Grüter, *The Internet, the Name Server and Antitrust Law*, 19:2 EUROPEAN COMPETITION LAW REV. 99 (Feb. 1998).

¹³ See generally E. Eugene Clark, *Arbitration, dispute resolution and the World Wide Web*, ARBITRATION & DISPUTE RESOLUTION LAW JOURNAL 3 (March 1998); Edward J. Costello, *To mediate or not to mediate*, ARBITRATION & DISPUTE RESOLUTION LAW JOURNAL 25 (March 1998); Jeffrey Krivis, *Mediating in Cyberspace*, ARBITRATION & DISPUTE RESOLUTION LAW JOURNAL 19 (March 1998); E. Casey Lide, *The role of alternative dispute resolution in online commerce, intellectual property and defamation*, ARBITRATION & DISPUTE RESOLUTION LAW JOURNAL 31 (March 1998).

¹⁴ See Tom Arnold, *Why is ADR the answer?*, 15:7 COMPUTER LAWYER 13 at 18 (July 1998). Also see JAN ... NORTH BAWDING, LUCY REED, ERIC SCHWARTZ, THE FRESHFIELDS GUIDE TO ARBITRATION

manner.¹⁵ So, in Singapore ADR may be chosen for its other advantages such as confidentiality and cost effectiveness rather than speed, as the courts are fast in disposing cases. The writer suggests that in jurisdictions where court proceedings take a long time, ADR may be a faster way to resolve disputes when compared to litigation.

In the words of Pieter Sanders the characteristics of arbitration may be summarised as follows: -

On the basis of a *valid agreement to arbitrate*, parties may submit the settlement of disputes which have arisen between them or which may arise in future to the binding decision of *private persons* (arbitrators) of their own choice. As a consequence of the agreement to arbitrate, the *jurisdiction of the court* which otherwise could have been competent *is stayed*. The manner in which arbitral proceedings will be handled is, in principle left to the parties. *Parties are the masters of the arbitral proceedings*. Only when parties do not regulate the proceedings, the arbitrators or the applicable arbitration law comes to the rescue. The proceedings end with *an award* which, as a rule after a limited control by the court, *can be enforced as a court judgment*. Finally, the award rendered by private judges is, during a certain period, open to attack by a dissatisfied party. *The means of recourse against the award* are the tailpiece of the arbitral process.¹⁶

¹⁵ See for example, the statistics of disposal of cases by the Supreme Court, given in SUPREME COURT SINGAPORE: EXCELLENCE INTO THE NEXT MILLENNIUM at pages 56 to 61 (published by the Supreme Court of Singapore in 1999). The statistics show that cases disposed of in 12 months or lesser time have increased from 57.8% in 1995 to 60.8% in 1996, 72.6% in 1997 and 99.6% in 1998. In recent times cases could proceed to trial within 6 to 9 months from the date of commencement.

¹⁶ See Pieter Sanders, *Arbitration*, Chapter 12 of MAURO CAPPELLETTI (Edited), CIVIL PROCEDURE, Vol. XVI of INTERNATIONAL ENCYCLOPEDIA OF COMPARATIVE LAW, 5 (1996).

International commercial arbitration is used in contradistinction to domestic arbitration. “An arbitration is international if the parties to an arbitration agreement have, at the time of the conclusion of that agreement, their place of business in different States; or if the place of arbitration determined pursuant to the arbitration agreement is outside the State in which the parties have their place of business; or any place where a substantial part of the obligations of the commercial relationship is to be performed or the place with which the subject-matter of the dispute is most closely connected to is outside the State in which the parties have their place of business; or the parties have expressly agreed that the subject-matter of the arbitration agreement relates to more than one country.”¹⁷ This is the UNCITRAL Model Law meaning of international arbitration. Though this is not exhaustive, the writer suggests that in view of the fact that thirty-three jurisdictions have adopted the Model Law (as of 3 March 2000), it can be taken as a guidance to know the meaning of what international arbitration is all about.

By promulgating the Model Law for international commercial arbitration in 1985 the United Nations Commission on International Trade Law (UNCITRAL) has made an important move in the harmonization of arbitration laws. Legislation based on the UNCITRAL Model Law on international commercial arbitration has been enacted in Australia, Bahrain, Bermuda, Bulgaria, Canada, Cyprus, Egypt, Germany, Guatemala, Hong Kong Special Administrative Region, Hungary, India, Iran, Ireland, Kenya, Lithuania, Malta, Mexico, New Zealand, Nigeria, Oman, Peru, Russian Federation, Singapore, Sri Lanka, Tunisia, Ukraine, within the United Kingdom of Great Britain and

¹⁷ See Article 1 (3) of the UNCITRAL Model Law on international commercial arbitration. The text of the Model Law is available at <http://www.un.or.at/uncitral/en-index.htm>.

Northern Ireland; Scotland; within the United States of America: California, Connecticut, Oregon and Texas; and Zimbabwe.¹⁸ As the number of jurisdictions embracing the Model Law increases, more countries will share the experience of operating under the Model Law. There remain, however, problems relating to the actual wording and interpretation of the countries' implementing legislation and the modifications made by each state to the Model Law.¹⁹ Though each state will make changes, the basic structure of the arbitration laws based on the Model law will remain the same.²⁰

In international commercial arbitration there is greater party autonomy and the award can be enforced in many jurisdictions by virtue of and if the country is a party to the New York Convention on enforcement of foreign arbitral awards.²¹ Moreover arbitration is faster and cost-effective.²² Most nations have specific legislation for arbitration.²³ There are many arbitral institutions that have very good international

¹⁸ *Status of Conventions and Model Laws*, published by the International Trade Law Branch of the United Nations Office of Legal Affairs servicing the UNCITRAL. The details are available at <http://www.uncitral.org/english/status/status.pdf>.

¹⁹ Hsu Locknie, *The Adoption of the UNCITRAL Model Law on International Commercial Arbitration in Singapore*, SINGAPORE JOURNAL OF LEGAL STUDIES, 387, 392 (1994).

²⁰ For a detailed analysis of the UNCITRAL Model Law see in entirety H.M. HOLTZMAN & J.E. NEUHAUS, A GUIDE TO THE UNCITRAL MODEL LAW ON INTERNATIONAL COMMERCIAL ARBITRATION: LEGISLATIVE HISTORY AND COMMENTARY (1989).

²¹ Convention on the recognition and enforcement of foreign arbitral awards, 330 U.N.T.S. 38 (New York, 10 June 1958) (Entered into force on 7 June 1959).

²² For some general comments and analysis of legal issues in arbitration see K.R.K. Harding, *Arbitration – The Role of Ethics and its Nature*, 64:1 ARBITRATION 67 (Feb. 1998); Mark Huleatt-James, *The Laws and Rules Applicable to Evidence in International Commercial Arbitration, and some issues relating to their determination and application*, 63:4 ARBITRATION 270 (Nov. 1997); K.D. Kerameus, *Waiver of Setting Aside Procedures in International Arbitration*, 41 AM. J. COMP. LAW 73 (1993); Michael Klug & Stuart Dutton, *The role of the legal profession in arbitration*, ARBITRATION & DISPUTE RESOLUTION LAW JOURNAL 208 (Sep. 1999); Pieter Sanders, *What May Still be Done in the World of Arbitration?*, 65:4 ARBITRATION 260 (Nov. 1999); Albert Jan van den Berg, *Non-Domestic Arbitral Awards under the 1958 New York Convention*, 2:3 ARBITRATION INT'L 191 (July 1986); M. SORNARAJAH, INTERNATIONAL COMMERCIAL ARBITRATION: THE PROBLEM OF STATE CONTRACTS (1990).

²³ For an analysis of some national legislation on arbitration see Adam Samuel, *Arbitration Statutes in England and the USA*, ARBITRATION & DISPUTE RESOLUTION LAW JOURNAL 2 (March 1999); Vikram Raghavan, *Heightened Judicial Review of Arbitral Awards: Perspectives from the UNCITRAL Model Law and the English Arbitration Act of 1996 on some US Developments*, 15:3 J. INT'L ARBITRATION 103 (Sep.

repute. So, international commercial arbitration could act as an effective dispute resolution mechanism for Internet disputes primarily because of the borderless and autonomous nature of the Internet.

Till such time that a separate legal regime is created for the Internet the legal issues arising out of its use have to be dealt with and fitted into the existing legal systems. But it cannot be disputed that it is difficult to fit the Internet into one legal regime, as it is all pervading. This is evident in many areas of law like copyright, trademark, conflict of laws etc. As the Internet is cross border it is difficult to decide which law to apply to it. It becomes all the more difficult when disputes arise amongst its users. The next chapter will focus on the kinds of commercial disputes that may arise over Internet.

1998); Robert Morgan, *The English Arbitration Act 1996 and Reform of Arbitration Law in Hong Kong and Singapore: A Brave New World?*, 63:2 ARBITRATION 55 (May 1997); Michael Hwang & Andrew Chan, *The Role of the Singapore Courts in Relation to International Commercial Arbitration*, 16:4 J. INT'L ARBITRATION 101 (Dec. 1999); Locknie Hsu, *Section 15 of the Singapore International Arbitration Act – What are the options?*, 2:1 INT'L ARBITRATION LAW REV. 17 (Feb. 1999); Lee Suet Lin Joyce, *Much Ado about Errors: The Singapore Perspective*, 15:1 J. INT'L ARBITRATION 95 (March 1998); Jan K. Schaefer, *Borrowing and Cross-Fertilising Arbitration Laws: A Comparative Overview of the Development of Hong Kong and Singapore Legislation for International Commercial Arbitration*, 16:4 J. INT'L ARBITRATION 41 (Dec. 1999); S. K. ROY CHOWDHURY & H. K. SAHARAY, *LAW OF ARBITRATION AND CONCILIATION (INDIA)* (4th ed. 1996).

CHAPTER – 2

Kinds of Disputes that may arise over Internet and in Electronic Commerce

Internet is all pervading and the issues that may arise amongst its users could range from commercial disputes to Internet crime. For the purpose of this thesis (1) disputes arising out of Intellectual Property Rights and (2) disputes in Electronic Commerce would alone be examined. This is because the thesis endeavors to suggest that arbitration could be an effective dispute resolution mechanism for commercial disputes arising over the Internet. Many cases that have arisen in the context of the Internet have gone to courts. Some early cases litigated would be discussed in this Chapter. The complexities, peculiarities and the advantage of specialized knowledge of adjudicators necessitate consideration of a dispute resolution procedure like arbitration for these kinds of disputes.

A. Disputes arising out of Intellectual Property Rights

The Intellectual Property Rights that are generally involved with the Internet are trademarks and copyright. Today, when we look at Internet Disputes one regular aspect that we come across are the disputes that arise in the usage of Domain Names. This part would examine the disputes that arise with regard to domain names and also analyze some cases that have gone to court.

(i) Domain Names and Trademarks

1. Background

The Dictionary meaning of the word “Domain” is ‘Sphere of control or influence’, ‘Range of control or rule’, ‘Realm’.²⁴ Domain Name is, however, an identification on the Internet that belongs to a particular company, international organization, educational institution, government bodies or individuals. Domain Names are the user-friendly Internet addresses such as www.un.org, www.nus.edu.sg etc. The domain name corresponds to its Internet Protocol (IP) number such as 193.228.224.1. The IP address had four sets of digits separated by full stops. Using the IP address, computers on the Internet can route messages to the appropriate computer. This IP address which is numerical is represented by a text version and this is called a domain name.²⁵ Thus a domain name acts as the electronic address for a web site. Domain Names have at least two separate levels. They are Top Level Domains (TLD) and Second Level Domains (SLD). Domain Names are read by computers from right to left, working from the most general part of the name on the far right, to the most specific part on the left. The first level on the right such as ‘.com’ or ‘.com.sg’ is known as the Top Level Domain. The second level, immediately to the left of the TLD is known as the Second Level Domain (SLD). It is the SLD that is allocated to users as the unique identifying element in their Internet address, and it is the SLD which often corresponds to the user’s trading name or trademark.²⁶ For example in the domain name www.airindia.com

²⁴ See DELLA THOMPSON (Edited), THE CONCISE OXFORD DICTIONARY, 401 (9th ed. 1995); HENRY CAMPBELL BLACK, BLACK’S LAW DICTIONARY, 483, 484 (6th ed. 1990).

²⁵ See Nigel Miller & Simon Taylor, *What’s in a name?*, DOMAIN NAMES SUPPLEMENT (Supplement to COPYRIGHT WORLD) 4 (May 1999).

²⁶ *Id.*

the Top Level Domain is ‘.com’ which shows that it is a company and the Second Level Domain is ‘.airindia’ which refers to the specific name of the company.

Top Level Domains are of two types: generic Top Level Domains (gTLDs) and country code Top Level Domains (ccTLDs). There are, at present, seven gTLDs. Three of these are open, that is there are no restrictions on individuals or entities that may register names in them. These three gTLDs are .com, .net and .org. The other gTLDs are restricted, that is only certain entities falling under particular criteria may register names in them. They are .int, which is restricted to use by international organizations, .edu which is restricted to use by four-year, degree-granting colleges and universities, .gov which is restricted to use by agencies of the federal government of United States, and .mil, which is restricted to use by the military of the United States.²⁷

As of April 30, 1999 there were 243 ccTLDs. These domains bear a two-letter country code, for example .fr (France), .in (India) or .sg (Singapore). Here again some of the domains are open and some are restricted.²⁸ As at the date of publication of the WIPO Final Report on the Internet Domain Name Process (April 30, 1999) nearly 7.2 million domain names had been registered worldwide. Out of these, approximately 1.8 million were registered in the ccTLDs. The approximate weekly volume of new registration at that time was 880,000.²⁹

²⁷ See Chapter 1 of the WIPO Final Report on the Internet Domain Name Process dated April 30, 1999, <http://wipo2.wipo.int/process/eng/final/FinalReport.html>.

²⁸ See *id.*

²⁹ See *supra* n. 27.

The Internet Assigned Numbers Authority (IANA), is funded by an agency of the US Department of Defence and has the overall responsibility for the management of Internet parameters including IP addresses and domain names. The work of actually providing address, name assignments and registrations was delegated to the registries. InterNIC was one such registry but was the largest of the naming committees that had been set up around the world.

The National Science Foundation (NSF) in the United States had created the InterNIC (Internet Network Information Centre) to act as a central information source for the Internet's online resources. 'InterNIC' was a consortium of Network Solutions, AT&T and General Atomics which were awarded the joint contract by the National Science Foundation (NSF) for registration services, directory services and information services respectively. The name InterNIC was coined and applied to their joint efforts.³⁰ Subsequently, operation of most of the 'Information Services' was dropped from the NSF contract and 'InterNIC' activity was given to Network Solutions. In other words InterNIC delegated the responsibility for registering domain names to Network Solutions, Inc. (NSI).³¹ NSI's domain name registration policy was on a 'first-come', 'first-served' basis; thus NSI assigned a domain name so long as the exact domain name was not already allotted.

³⁰ Robyn Durie, *The Internet, Trademarks and Domain Names*, 13:1 COMPUTER LAW & SECURITY REPORT, 29, 30 (1997).

³¹ Alan I. Cyrilin, *Reducing a company's risk over domain name disputes*, 81:1 JOURNAL OF THE PATENT & TRADEMARK OFFICE SOCIETY, 42, 43 (Jan. 1999).

The domain name registration has taken a new turn with the formation of Internet Corporation for Assigned Names and Numbers (ICANN) in the latter half of 1998 which would oversee the management of Internet names and addresses. It would assume responsibility of management of certain aspects of the domain name system that the Internet Assigned Numbers Authority (IANA) and Network Solutions Inc. (NSI) managed previously under US government contract. In September 1999 the US Department of Commerce, NSI and ICANN had tentatively reached agreements regarding the administration of the Internet's domain name system. Under the agreements NSI retained control of the Internet address registry for at least four years, becoming a kind of wholesaler of domain names to other name registrars.³² These agreements would be dealt with in detail in Chapter 3 *infra*. It is now pertinent to turn to the causes for disputes in the domain name system.

The main issue in the Domain Name system, which gives rise to disputes, is that many companies discover their trade name or trademark as being used by others as an Internet Domain Name. It is still an ongoing debate as to whether trademark law would *in toto* apply to domain names. Whilst a domain name can serve to identify the source of the service or goods provided by its owner the use of a domain name will not necessarily create trademark rights because the owner of the domain name may not necessarily provide any goods or services under that name.³³ Assuming trade marks law apply *in toto* to domain names "what is important is whether the misrepresentation, intentional or not,

³² Current Developments, *ICANN, Network Solutions, and Department of Commerce reach tentative agreements*, 16:12 THE COMPUTER LAWYER 23 (Dec. 1999).

³³ See *supra* n. 30 at 31.

leads, or is likely to lead, the public to believe that goods or services offered by the defendant are those that of the plaintiff.”³⁴

There may be several businesses with the same name. Registration systems in common law countries generally allows two or more companies to own the same trademark but in respect of differing products or service offerings. Trademarks are also protected only within a defined territory. There is no one system that provides worldwide rights and two individuals in different countries may therefore own the same mark. This creates a situation where two users of a trade mark in the same class but in different countries fighting over the same domain name.³⁵ Apart from Intellectual Property disputes there could also be various other legal issues like those relating to Internet crime but this thesis would deal only with the commercial aspects of the domain name system.

The ownership and use of domain names in cyberspace and trademarks in the terrestrial world is one of the areas of dispute currently at the forefront of legal debate in relation to the Internet. The issues that arise illustrate the struggle being played out between commercial users of the Internet as they strive to mould disputes arising out of the unstructured web of cyberspace into a form that more closely resembles the rules of legal engagement with which they are familiar.³⁶ It is argued that a domain name functions as a trademark, and therefore any use of a domain name by a person not entitled

³⁴ A paraphrasing of Lord Oliver in *Reckitt & Colman Products V Borden Inc* (1990) 1 All E.R. 873 as cited in footnote 10 of CLIVE GRINGRAS, *THE LAWS OF THE INTERNET*, 141 (1997) [Hereinafter GRINGRAS].

³⁵ See GRINGRAS, *id* at 130.

³⁶ Charlotte Waelde, *Domain Name and Trademarks: What's in a name?*, LILIAN EDWARDS & CHARLOTTE WAEDELDE (Edited), *LAW AND THE INTERNET: REGULATING CYBERSPACE*, 45 (1997).

to that trademark, amounts to infringement. Interestingly, most of the disputes to date have been in relation to the “.com” Top Level Domain name. There are number of reasons for this: firstly, it is one of the oldest in terms of original top level domains; secondly, it is a naming system which might utilize only two names, such as “Harrods.com”, thus making the address easily and instantly recognizable.³⁷

2. Categories of Cases

There have been many instances where disputes with regard to domain names have gone to court. An analysis of a selection of early cases in this area will throw light on the issues that are at stake in the context of Internet Domain Names. First, the cases dealing with trademark infringement and dilution would be analyzed. In trademark disputes interim measures of protection is an important aspect. Cases in which interim measures were granted or denied would be dealt with next and this would be examined as a forerunner to the interim measures of protection in arbitration that would be dealt with in Chapter 4 *infra*. In Internet related disputes there is a likelihood of many cross border issues. Hence, jurisdiction is one important aspect and cases relating to this would be dealt with next. Finally, some early cases of ‘passing-off’ actions over the Internet would be dealt with.

(a) Trade Mark Infringement and Dilution

The first category of cases, which are of utmost relevance, are the cases that involve issues of trademark infringement and trademark dilution. The concept of

³⁷ See *id* at 46.

‘trademark dilution’ has been codified into legislation in the United States viz., Federal Trademark Dilution Act, 1995. The courts in the United States have applied the principle of trademark dilution to many domain name cases. This part would deal with cases both under trademark infringement and trademark dilution and it can be seen that in many instances they overlap.

In *The Comp. Examiner Agency v. Juris, Inc.*³⁸, the first case expressly recognizing that Internet domain names can act as a trademark, the court ruled that traditional trademark doctrines does apply to cyberspace.³⁹

In *Interstellar Starship Servs. Ltd. v. Epix, Inc.*⁴⁰, the plaintiff, Interstellar Starship, filed an action for a declaration that its use of the domain name “epix.com” on the Internet did not infringe the registered trademark “EPIX” under the trademark laws of the United States. The defendants, Epix Inc., filed an answer and counterclaim alleging that the plaintiff’s use of the domain name “epix.com” infringed the registered trademark “EPIX” under the trademark laws of the United States. Frye, J., of the District Court of Oregon held that the use of the Internet web site “epix.com” by Interstellar Starship to publicise the “Rocky Horror Picture Show” is not likely to confuse any actual or potential customer seeking to purchase printed circuit boards and computer programs from Epix Inc. While the court concluded that Epix, Inc., is the owner of the valid Registered Trademark, under the facts of that case the court found no infringement by Interstellar

³⁸ 96cv0213 (C.D.Cal. April 25, 1996).

³⁹ Andre Brunel & May Liang, *Trademark Troubles with Internet Domain Names and Commercial Online Service Screen Names: Roadrunning Right Into the Frying Pan*, 5:1 INT’L J. L. & INFORMATION TECHNOLOGY, 1,5 (Spring 1997).

Starship. Interstellar Starship's motion for summary judgment was granted. Epix Inc.'s motion for summary judgment of infringement of its trademark was denied.

In *Academy of Motion Picture Arts and Sciences v. Network Solutions, Inc.*⁴¹, the plaintiff contended that Network Solutions had registered domain names such as 'academyaward.com', 'academyawards.net', 'theoscars.net', and 'Oscar.net', to parties other than the plaintiff and that it owns trademarks in, among other registered marks, 'ACADEMY AWARDS' and 'OSCAR'. The Academy claimed that Networks Solutions, in allowing these names to be registered to individuals and companies other than the Academy, had engaged in unlawful activity. Specifically, the Academy alleged that Network Solutions was guilty of trademark dilution, contributory trademark dilution, contributory wrongful use of a registered mark, false designation or origin and false use, and unfair competition. The Academy sought an injunction pending trial requiring Network Solutions to immediately cease and desist its registration of Internet domain names which incorporate or are "confusingly similar to" registered trademarks and service marks owned by the Academy. Waters, S.J of the District Court of Central California after discussing all the issues at stake denied the Academy's request for a preliminary injunction. In this case the court gave a definition for domain names viz., "Domain names are used to locate information on the Internet. Each computer or network linked to the Internet has a unique numerical address called an Internet Protocol Number ("IP Number"). An IP number is four groups of digits separated by decimal points, for example '013.917.114.41'. These IP numbers are converted into an user-

⁴⁰ 983 F.Supp.1331 (D.Or. 1997).

⁴¹ 45 U.S.P.Q.2d 1463, 1464 n.1 (D.C. Cal. December 11, 1997).

friendlier; letter based format called a 'domain name' by specialized computers called domain name servers.”

There have been cases where individuals have registered domain names similar to names of famous companies with a view to sell the domain name to such companies. In *Panavision International, L.P. v. Toeppen*⁴², the plaintiff sued for dilution of its trademark against the defendant Dennis Toeppen who had registered the domain name 'panavision.com'. The court found that Panavision's mark was a famous mark and that Toeppen had made commercial use of the mark by attempting to sell the domain name to Panavision. The court did much to limit the effect of its judgment by stating that it did not give trademark owners pre-emptive rights in domain names but held that registering a famous mark as a domain name merely for the purpose of trading on the value of the mark by selling the name to the trademark owner violated dilution statutes, a point which also emphasizes the need for some trading activity for a finding of dilution. Pregerson, J., of the District Court of Central California ordered that Toeppen and his agents were restrained from using the "Panavision" and "Panaflex" names and marks and they were to assign and transfer, to Panavision, either directly or through other entities, any web sites, web pages, home pages, Internet sites, Internet pages, databases, programs, or any other storage means, using or containing the Panavision names and marks, or any variations thereof, or any other mark confusingly similar thereto or likely to cause dilution of the Panavision marks or injury to Panavision's business reputation, in any form including, but not limited to, visible, invisible, encrypted, searchable, or non-searchable forms, either temporary or permanent, on the Internet, or in any other medium.

Dennis Toeppen had registered yet another domain name 'intematic.com'. In *Intermatic Inc. v. Toeppen*⁴³, the court found that Intermatic were entitled to summary judgment on the issue of dilution because "Toeppen's action lessens the capacity of a famous mark 'Intermatic' to identify and distinguish goods or services as a matter of law." Ann Claire Williams, J., of the District Court of Northern Illinois held that Intermatic mark was famous within the meaning of the Lanham Act, also known as the Federal Trademark Dilution Act 1995. Toeppen's use of that mark was held to be commercial as it was evidenced by his intention to resell or license the domain name; and the use of the name in connection with the Internet constituted 'commerce' under the Act (thus fulfilling the requirement that there be some trading activity). The court further held that by attempting to license or sell the mark Toeppen caused dilution of the distinctive quality of the mark by lessening Intermatic's capacity to identify its goods to potential customers and destroying the mark's advertising value. This reasoning would suggest that the courts in the US would find that there was dilution of a trademark in all cases where there was an intention by the persons who registered a domain name resembling a famous trademark to sell that domain name for financial reward.⁴⁴

There are many other cases where individuals were involved and one such is *MTV Networks v Adam Curry*.⁴⁵ This case is often quoted for the observation made by the court with regard to domain names viz., "A domain name mirroring a corporate name

⁴² 945 F.Supp. 1296 (C.D. Cal. 1996).

⁴³ 947 F.Supp. 1227, 40 U.S.P.Q.2d 1412, 1417, 41 U.S.P.Q.2d 1223 (N.D. Ill. 1996).

⁴⁴ See *Supra* n. 36 at 56.

⁴⁵ 867 F.Supp.202 (S.D.N.Y. 1994).

may be a valuable corporate asset, as it facilitates communication with a customer base.”⁴⁶

It is submitted that in cases where individuals with such *mala fide* intentions are involved it is better for parties to go to court rather than choose alternative dispute resolution. The individuals involved in such cases might not agree to settle the dispute through arbitration or mediation. There can be no ADR if parties do not agree to it. In such cases the best resort can only be litigation. But if the registration of a domain name is done through one of the accredited registrars of ICANN then the mandatory administrative proceeding under the Uniform Domain Name Dispute Resolution Policy (UDRP) will apply. For the mandatory administrative proceeding to take effect it must be proved by the complainant that the registration of domain name was done in bad faith by the domain name holder. The UDRP will be discussed in detail in Chapter 3 *infra*.

The issue presented in *Lockheed Martin Corporation v. Network Solutions Inc.*⁴⁷ was whether NSI violated federal trademark law by accepting registrations of Internet domain names that are identical or similar to Lockheed Martin Corporation’s SKUNK WORKS service mark. Lockheed asserted that NSI directly infringed and diluted its mark by accepting the registrations and that NSI did not comply with Lockheed’s demands to cancel the registrations. Pregerson, J., of the District Court of Central California concluded that NSI had not committed any direct infringement as it had not used Lockheed’s service mark in connection with the sale, offering for sale, distribution

⁴⁶ *Id* at 203-204 n.2.

⁴⁷ 985 F.Supp.949, 44 U.S.P.Q.2d 1865 (C.D.Cal.1997).

or advertising of goods or services. As to dilution, the court found that NSI had not made a commercial use of domain names as trademarks, and therefore did not satisfy the commercial use element of dilution. As to the knowledge basis, the court concluded that NSI's limited role as a registrar of domain names coupled with the inherent uncertainty in defining the scope of Intellectual Property Rights in a trademark proved that NSI neither knew nor had reason to know of potentially infringing uses by others. Furthermore, contributory infringement doctrine did not impose upon NSI an affirmative duty to seek out potentially infringing uses of domain names by registrants. In this case the court dealt with in detail about Internet, the Domain Name System and NSI's Role in the Domain Name System.⁴⁸

Trademark infringement and dilution have been the main aspect that has been of focus in domain name disputes. In such cases it is important that interim measures are granted to safeguard the interests of the parties. This would be dealt with in the next sub-heading.

(b) Interim Measures of Protection

It is necessary in cases relating to trademark infringement and dilution that the court grants interim orders to avoid further infringement as alleged by the plaintiff in a suit. Otherwise, even if a party can successfully win a case the purpose would be frustrated if the defendant had continued to infringe the trademark during the pendency of

⁴⁸ The Court while dealing with these issues made a reference to the decision in *American Civil Liberties Union of Georgia v. Reno*, 929 F.Supp. 824, 830-45 (E.D.Pa. 1996), affirmed in 117 S.Ct.2329, 138.L.Ed.2d 874 (1997).

the case.⁴⁹ Following are some of the cases dealing with interim measures of protection with reference to disputes relating to domain name issues.

*Cardservice Int'l v. McGee*⁵⁰ was a case in which an action was brought by Cardservice International seeking injunctive relief and damages for alleged infringements of its trademark 'Cardservice' by the defendants who had registered the domain name "cardservice.com" with Network Solutions Inc. The court ordered a permanent injunction restraining the defendant or his agents from using the words 'cardservice', 'card service', or any other variation thereof. Though in this case the relief granted was permanent injunction it is pertinent to point this out in 'interim measures of protection' to show that quick relief can be obtained from courts if there is an urgency. The court further ordered that the defendant pay to the plaintiff reasonable attorneys' fees and expenses. This case is famous for the observation made by Clarke, J., of the District Court of East Virginia (Norfolk Division) that if trademark laws apply to domain names, anyone who obtains a domain name under NSI's "first-come, first-served" policy "must do so subject to whatever liability is provided for by federal law." A customer who is unsure about a company's domain name would often guess that the domain name is also the company's name. For this reason, "a domain name mirroring a corporate name may be a valuable corporate asset, as it facilitates communication with a customer base." (Quoting *MTV Networks, Inc. V. Curry*). The court further stated that a domain name is more than a mere Internet address and it identifies the Internet site to those who reach it, much like a

⁴⁹ See for example *Hasbro Inc. v. Internet Entertainment Group Ltd.*, No. 96cv 130 (W.D.Wash. filed Jan. 25, 1996) in which the court granted preliminary injunction against the defendants for diluting the value of Hasbro's CANDYLAND mark for the children's boardgame. The defendants were using the mark

person's name identifies a particular person, or, more relevant to trademark disputes, a company's name identifies a specific company.

In *Planned Parenthood Federation of America Inc. v. Bucci*⁵¹, the plaintiff Planned Parenthood Federation of America, Inc. had moved the court to preliminarily enjoin defendant Richard Bucci, doing business as Catholic Radio, from using the domain name "plannedparenthood.com", and from identifying his web site on the Internet under the name www.plannedparenthood.com. Plaintiff operated a web site at www.ppfa.org, using the domain name "ppfa.org". Wood, J., of the District Court of Southern New York granted the motion for a preliminary injunction and enjoined the defendants and his agents from identifying their web site, home page, domain name or any other materials available on the Internet or elsewhere the Planned Parenthood mark.

In *Playboy Enterprises Inc. v. Calvin Designer Label*⁵², the cause was presented to the court, upon motion of Plaintiff Playboy Enterprises Inc., ("PEI") seeking an order of Preliminary Injunction during the pendency of the action, from infringing PEI's trademarks on Defendants' Internet World Wide Web sites. PEI owned federal registrations for the mark PLAYBOY, and other registrations for the mark PLAYBOY and PLAYMATE. Defendants had used PLAYBOY and PLAYMATE as part of their domain names on the Internet and used the marks within the Internet Web pages offered at the sites at Internet addresses www.playboyxxx.com and www.playmatelive.com, all

CANDYLAND to identify their pornographic web site and the domain name 'candyland.com' to access it. In so holding, the court explicitly relied upon the Federal Trademark Dilution Act of 1995.

⁵⁰ 950 F.Supp. 737, 740, 741., 42 U.S.P.Q.2d 1850,1853 (E.D. Va. 1997).

⁵¹ 42 U.S.P.Q.2d 1430 (1997).

without PEI's authority. Legge, J., of the District Court of Northern California passed an order that the defendant and his agents shall be immediately preliminarily enjoined and restrained during the pendency of the action from using in any manner the PLAYMATE or PLAYBOY trademarks. The court further held that "if the Network Solutions, Inc. delegates complete control regarding the disposition of the registration and use of these domain names to this Court, the domain names are hereby cancelled."

In *Hotmail Corporation v. Van\$ Money Pie Inc.*⁵³, the plaintiff Hotmail learnt that defendants were sending "Spam"⁵⁴ e-mails to thousands of Internet e-mail users, which were intentionally falsified in that they contained return addresses bearing Hotmail account return addresses including Hotmail's domain name 'hotmail.com' and thus its mark, when in fact such messages did not originate from Hotmail or a Hotmail account. Such Spam messages advertised pornography, bulk e-mailing software, and "get-rich-quickly" schemes, among other things. Hotmail filed a motion for Preliminary Injunction to enjoin defendants from infringing Hotmail's trade name and service mark. Ware, J., of the District Court of Northern California temporarily and preliminarily enjoined and restrained the defendants and their agents during the pendency of the action from directly or indirectly using the HOTMAIL mark for any purpose.

All these cases illustrate the urgency and necessity in obtaining interim orders to restrain further infringement of the trademark thereby safeguarding the interests of the

⁵² 44 U.S.P.Q.2d 1156 (N.D.Cal. Sep.8, 1997).

⁵³ 47 U.S.P.Q.2d 1020 (N.D.Cal. April 16, 1998).

⁵⁴ "Spam" is unsolicited commercial bulk e-mail akin to "junk mail". The transmission of Spam is a practice widely condemned in the Internet Community.

plaintiffs. It is important to see whether interim measures of protection are quick and effective in arbitration proceedings as they are in court litigation. This aspect relating to interim measures of protection in arbitration proceedings would be dealt with in detail in Chapter 4.

(c) Jurisdiction

The next important aspect in relation to domain name disputes is jurisdiction. *Cybersell Inc. v. Cybersell Inc.*⁵⁵ involved a litigation between two companies with the same name but incorporated in two different states in U.S.A viz., Arizona and Florida. Cybersell Inc., an Arizona corporation (Cybersell AZ), was incorporated in May 1994 to provide Internet and web advertising and marketing services, including consulting. Cybersell AZ filed an application to register the name “Cybersell” as a service mark. The application was approved and the grant was published on October 30, 1995. Cybersell AZ operated a web site using the mark from August 1994 through February 1995. The site was then taken down for reconstruction. Meanwhile, in the summer of 1995, a new corporation called Cybersell, Inc., was formed in Florida (Cybersell FL) by Matt Certo and his father Dr. Samuel C. Certo, with its principal place of business in Orlando. At the time the Certos chose the name “Cybersell” for their venture. Cybersell AZ had no home page on the web nor had the Patent and Trademark Office granted their application for the service mark. As part of their marketing effort, the Certos created a web page at <http://www.cybsell.com/cybsell/index.htm>. The home page had a logo at the top with “CyberSell” over a depiction of the planet earth, with the caption underneath

⁵⁵ 44 U.S.P.Q.2d 1928 (Dec.2, 1997).

“Professional Services for the World Wide Web” and a local phone number. One of the principals of Cybersell AZ, Laurence Canter found the Cybersell FL web page and sent an e-mail notifying Dr. Certo that “Cybersell” is a service mark of Cybersell AZ. Though they changed the name to WebHorizons Inc. their web page still said “Welcome to Cybersell”. Cybersell AZ filed the complaint in the District Court of Arizona, alleging trademark infringement, unfair competition, fraud etc. On the same day Cybersell FL filed a suit for declaratory relief with regard to use of the name “Cybersell” in the United States District Court for the middle District of Florida, but action was transferred to the District Court of Arizona and consolidated with the Cybersell AZ action. Cybersell FL moved to dismiss for lack of personal jurisdiction. The district court denied Cybersell AZ’s request for preliminary injunction, then granted Cybersell FL’s motion to dismiss for lack of personal jurisdiction. Cybersell AZ appealed.

Rymer, J., of the U.S. Court of Appeals (Ninth Circuit) held that the essentially passive nature of Cybersell FL’s activity in posting a home page on the World Wide Web that allegedly used the service mark of Cybersell AZ did not qualify as purposeful activity invoking the benefits and protections of Arizona. As it engaged in no commercial activity and had no other contacts via the Internet or otherwise in Arizona, Cybersell FL lacked sufficient minimum contacts with Arizona for personal jurisdiction to be asserted over it there. Accordingly, its motion to dismiss for lack of personal jurisdiction was properly granted.

Cases under 'passing-off' would be dealt with under the next sub-heading but as the following case involves 'jurisdiction' it is being dealt with here. *Mecklermedia Corporation and Another v. D.C. Congress Gesellschaft mbH*⁵⁶ is a decision by an English court involving the aspect of jurisdiction. The facts of this case are very important and are as follows. D.C. Congress is a German Trade Show Organiser. It set about organising a trade show, which it wanted to call Internet World. It advertised its show from its web site which was hosted in Germany but which was available around the world. Mecklermedia Corporation of Delaware, USA and its English subsidiary, Mecklermedia Limited, are the publishers of Internet World. D.C. Congress, which had a registration in Germany of the trademark Internet World, sued a company called Messe Berlin GmbH in Germany for infringement of that registration. Messe Berlin was the licensee in Germany of Mecklermedia, but was not otherwise connected to Mecklermedia. At the same time, Mecklermedia and its UK subsidiary commenced proceedings against D.C. Congress under the UK tort of passing-off, in that the use by D.C. Congress of Internet World on its web site which was available in the UK amounted to a misrepresentation, that it was connected with the goodwill of Mecklermedia in the UK and this would cause damage to such goodwill. D.C. Congress sought to have the proceedings in the UK set aside.

This case raised several issues but what is of particular interest to those involved in the multimedia and the Internet world is the analysis of the legal status of a web site and its availability in other countries. This is the first UK case where the content of a

⁵⁶ FLEET STREET REPORTS [1997] 627. For an analysis of this case see Ben Goodger, *Internet and Domain Names: Recent UK Cases*, COMPUTERS & LAW, 33 (August/September 1997). *Names: Recent UK Cases*, COMPUTERS & LAW, 33 (August/September 1997).

web site, not a domain name, was at stake. Jacob, J., took the view in the interlocutory hearing that Mecklermedia had demonstrated that it had extensive goodwill in the name Internet World in the UK, and that there was a serious question to be tried. D.C. Congress argued that since the web site was hosted in Germany, if there was a 'harmful event' the place of this was in Germany. Jacob, J., rejected this and opined that insofar as the English tort of passing off was concerned, the harmful event was the harm done to the plaintiff's goodwill in England and its effect on the plaintiff's reputation in England. It did not matter whether what the defendant was doing in Germany was lawful according to German law. An action for infringement of a German trademark in Germany was not the same in law or in fact as an action for passing off in the UK.

It is submitted that in such cases where jurisdiction is a serious issue and where there are no contractual relations between parties it is better that the courts try these issues. In 'Mecklermedia' the claim was that of passing off in England. It is appropriate that the court decided this case. In such cases Alternative Dispute Resolution may not be an appropriate remedy. This is firstly because parties may not choose arbitration or mediation as a dispute resolution mechanism for these disputes. Secondly it is easier for courts to deal with these issues as they have more powers and can even join the actions like it was done in *Cybersell v. Cybersell*.

(d) Passing off action

The tort of passing off is a principle of common law that a man is not to sell his goods or services under the pretence that they are those of another man. It has five

elements: (a) a misrepresentation, (b) made by a trader in course of trade, (c) to prospective customers of his or ultimate consumer of goods or services supplied by him, (d) which is calculated to injure the business or good-will of another trader (in the sense that this is a reasonably foreseeable consequence) and (e) which causes or threatens actual damage to a business or goodwill of the trader by whom the action is brought.⁵⁷

Harrods,⁵⁸ the world famous department store in London is the registered proprietor of a large number of trademarks (in England and many other jurisdictions) for the name 'Harrods', the first of which had been registered in the year 1917. During 1995, Harrods became aware that Mr Michael Lawrie (who was resident in England) had obtained a registration with NSI for a domain name of "harrods.com". Harrods made a formal request to Mr Lawrie to release his interest in the domain name to which he did not accede. Proceedings were commenced in the Chancery Division of the High Court in August 1996. Harrods alleged that the actions of the defendant constituted trademark infringement, passing-off and common law conspiracy. Mr Lawrie did not turn up in the court though he had filed a defence. In those circumstances Lightman, J., read the pleadings and evidence and indicated that the activities of the defendants were, in his view, clearly registered trademark infringement and passing off. The judge then considered the terms of the injunction he would grant. The order made granted the usual

⁵⁷ *Erwen Warnink B.V. v. J. Townend & Sons (Hull) Ltd* [1979] A.C. 731 at 742, per Lord Diplock. This formulation is quoted without criticism by Lord Jauncey in *Reckitt & Colman Products Ltd v. Borden Inc.* [1990] 1 W.L.R. 491 at 511. Lord Oliver at 499 states three elements: (1) a goodwill or reputation attached to and recognised by the public as distinctive of the plaintiff's goods or services; (2) a misrepresentation by the defendant leading the public to believe that his goods or services are those of the plaintiff; (3) damage or likely damage.

⁵⁸ For a detailed analysis of the Harrods case see Nick Gardner, *The Harrods Case: Protecting your name on the Internet*, COMPUTERS & LAW 23-26 (April/May 1997).

relief in trademark actions together with an order requiring the defendants to take up all steps within their power to assist in the transfer of the domain name to Harrods.

*Pitman Training Limited and Another v. Nominet U.K. and Another*⁵⁹ is a case in which the court rejected the 'passing-off' claim. The facts of this case are as follows. The Plaintiffs carried on a training business under the name 'Pitman Training' and the second defendant (Pearson Professional Ltd) carried on a separate publishing business, under the name 'Pitman Publishing'. The use of the name 'Pitman' in their respective businesses was regulated by an agreement between the first plaintiff and the second defendant. Nominet U.K the first defendant, and its predecessor were responsible for the allocation of Internet domain names ending in the suffix '.co.uk', operating on a first come, first served basis. Pearson's application to become the registered owner of the domain name 'pitman.co.uk' was granted by an automated electronic mail process and the appropriate Internet domain name servers were updated to reflect this fact. Pearson intended to use this domain as its world wide web site but did not make any use of the domain in the intervening time except for advertising the address of its web site in association with the promotion and launch of one of its books. The second plaintiffs (PTC Oxford Ltd) were erroneously informed that the 'pitman.co.uk' domain name was still unallocated, the second plaintiff's Internet Service Provider (ISP) procured the reallocation of the domain name to the second plaintiffs. PTC Oxford thereafter actively used the domain name and the e-mail address enquiries@pitman.co.uk in their promotional and advertising materials. Pearson became aware of the reallocation.

⁵⁹ FLEET STREET REPORTS [1997] 797. See Ben Goodger, *supra* n. 56 at 35.

After a lengthy exchange of correspondence between solicitors appointed for the plaintiffs, Nominet U.K and the second defendant, the solicitors acting for Pearson wrote to the solicitors acting for Nominet U.K requesting the immediate restoration of the contested domain name to Pearson and indicating that failure to do so would result in the issue of proceedings. Nominet U.K acceded to this request and transferred the domain name back to Pearson, at which point the plaintiffs commenced proceedings against both defendants for reinstatement of the domain names to the plaintiffs. A senior judge, Sir Richard Scott, the Vice-Chancellor, rejected the application of the plaintiff and stated that it was highly improbable that the public associated the domain name “pitman.co.uk” with the plaintiffs. Any confusion had been generated by the fact that both parties had used the domain name in their respective advertisements. The plaintiffs’ passing off claim was held to be not viable.

While the court allowed the claim for ‘passing-off’ in Harrods, it rejected the claim in Pitman Training. Though the facts of these cases are quite different from each other the claim made by the plaintiffs was that of ‘passing-off’. It would be interesting to ponder if ‘passing-off’ which is an action in tort could be arbitrable? A cause of action in tort may be referred to arbitration provided the subject matter of the dispute has a sufficiently close connection with the contract between the parties.⁶⁰ ‘Passing-off’ actions in which domain names are the subject matter, such contractual relationships generally do not appear and hence in these circumstances it cannot be referred to

⁶⁰ ALAN REDFERN & MARTIN HUNTER, LAW & PRACTICE OF INTERNATIONAL COMMERCIAL ARBITRATION, 137 (2nd ed. 1991). [Hereinafter REDFERN & HUNTER]; Also *see* ‘The Damianos’ (1971) 2 Q.B. 588.

arbitration. If any contractual relationship occurs in this context, then arbitration could be a possibility.

(ii) Disputes arising out of Copyright issues

1. Background

Copyright owners have a plethora of rights that may be applicable to acts on the Internet. They include the right of reproduction, public performance, public display, public distribution and importation of a work.⁶¹ These rights could apply to various activities on the Internet such as browsing,⁶² caching,⁶³ linking,⁶⁴ operation of an Internet service or bulletin board, creation of derivative works, and resale or subsequent transfer of works downloaded from the Internet.⁶⁵ The WIPO Copyright treaties of December 1996 have attempted to bring copyright laws into the digital age by providing new rights: a 'making available' right which gives authors, producers and performers the right to control on-line use of their works; an 'anti-hacking' right which allows for legal remedies against hackers; the protection of computer programs regardless of their mode or form, and works in digital form.⁶⁶ Many countries have made legislation or are in the process of making new legislation to protect copyright on the Internet. For example in the United States the 'No Electronic Theft Act' (The 'NET Act') that was signed by President Clinton on December 16, 1997 is aimed at providing copyright protection in the

⁶¹ David L. Haynes, *Application of Copyright Rights to specific acts on the Internet*, 15:8 THE COMPUTER LAWYER 1 (Aug. 1998).

⁶² Viewing web site materials on the computer screen.

⁶³ Storing copies from an original source site on a server.

⁶⁴ Linking to another web page. The highlighted text that links when one clicks on it is a Hyperlink.

⁶⁵ See *supra* n. 61.

⁶⁶ Sarah Whalley, *The Internet: a Threat to Copyright?*, 76 COPYRIGHT WORLD 29 (Dec '97/Jan '98); also see CLIVE GRINGRAS, LAWS OF THE INTERNET 163 (1997).

particular context of the Internet.⁶⁷ To give effect to the WIPO treaties of December 1996 the U.S adopted the Digital Millennium Copyright Act (DMCA) that was signed into law by President Clinton on October 28, 1998.⁶⁸ In Singapore the Copyright Act was recently amended to give protection to copyright on the Internet.⁶⁹ The issue of copyright on the Internet is itself a very wide topic and it would be dealt with in brief in the present thesis.

“The nature of the Internet allows individuals to make perfect reproductions of copyrighted work and to distribute such works almost instantaneously throughout the world with increasing ease and anonymity. Courts, meanwhile, have struggled to apply copyright principles developed in connection with traditional media – books, phone records, television and so forth – to the new world of interactive, digital media.”⁷⁰

2. Categories of Cases

An analysis of some early cases involving copyright on the Internet will throw light on the legal issues in stake in this context. Firstly, the cases dealing with liability of access providers would be dealt with followed by cases involving electronic publishing rights. Finally, the legal issues arising out of ‘linking’ and ‘framing’ will be analysed.

⁶⁷ Eduardo Ustaram, *Web sites and Copyright Infringement*, COMPUTERS & LAW 32 (June/July 1998).

⁶⁸ Dr. Daniel Gervais, *The TRIPS Agreement: A solution to on-line liability?*, 89 COPYRIGHT WORLD 21 (April 1999). The text of the DMCA can be found at <http://lcweb.loc.gov/copyright/penleg.html>.

⁶⁹ Chapter 63, Statutes of the Republic of Singapore, as amended by Amendment Act No. 38 of 1999.

(a) Liability of access providers

John F. Delaney and Adam Lichstein have described liability of access providers for conduct of their users in a very well researched article as “*downstream infringement*” and *shifting theories of responsibility*. This is very much appropriate because content providers, such as book and music publishers, are understandably concerned that web site operators and access providers be held responsible for the conduct of their users. On the other hand, web site operators and access providers argue that, if they are held liable for the conduct of third parties, the growth of the Internet will be severely stunted.⁷¹ Some early cases in this area discussed below show courts struggling to find a compromise between the concerns of content providers and Internet companies.

In *Playboy Enterprises v. George Frena*⁷², defendant George Frena operated a subscription computer bulletin board service (BBS) that distributed unauthorised copies of Plaintiff Playboy Enterprises, Inc.’s copyrighted photographs. BBS was accessible via telephone modem to customers. For a fee or to those who purchase certain products from defendant Frena, anyone with an appropriately equipped computer could log onto BBS. Once logged on subscribers could browse through different BBS directories to look at the pictures and customers could also download the high quality computerised copies of the photographs and then store the copied image from Frena’s computer onto their home computer. Many of the images found on BBS included adult subject matter. One hundred

⁷⁰ John F. Delaney & Adam Lichstein, *The Law of the Internet: A summary of U.S. Internet case law and legal developments*, 45: 2 JOURNAL OF THE COPYRIGHT SOCIETY OF USA, 205,210 (Winter 1997).

⁷¹ See *id* at 210.

and seventy of the images that were available on BBS were copies of photographs taken from Playboy Enterprises, Inc.'s copyrighted materials.

The Plaintiff therefore brought a suit against the operator of subscription computer board bulletin alleging that use of copyrighted photographs was prohibited copyright infringement, trademark infringement, and unfair competition. Schlesinger, J., of the District Court of Florida opined that there was no dispute that defendant Frena supplied a product containing unauthorised copies of a copyrighted work. The court went on to add that the defendant had infringed the "display" rights of the plaintiff. The defendant's display of the plaintiff's copyrighted photographs to subscribers was a public display. Hence the court concluded that unauthorised use of photographs infringed on the copyright of the plaintiff, using the plaintiff's trademark to identify bulletin board files was trademark infringement and deleting plaintiff's trademark from photographs and inserting advertisements was unfair competition. The court discussed in detail the various factors to be considered to determine fair use of a copyrighted work and held categorically that Frena's unauthorised use of photographs infringed the copyright of the plaintiff. This is one of the earliest cases specifically on copyright law and Internet and the ratio laid down in this case has been followed in a number of subsequent decisions.

In *Sega Enterprises v. Maphia*⁷³, plaintiff Sega, a major manufacturer and distributor of computer video game systems sold under the SEGA trademark, a registered trademark of Sega Enterprises, Ltd. Defendants, Maphia and Chad Scherman operated an electronic bulletin board called MAPHIA that was open to public and, according to

Defendant Scherman, had about 400 users. The plaintiffs filed an action for copyright infringement in connection with an online computer bulletin board run by defendants. Customers used Maphia's bulletin board to upload and download unauthorised copies of Sega's cartridge video games. These copies were created through the use of a copier device developed by Maphia and sold to its bulletin board customers. Wilken, J., of the District Court of Northern California granted a preliminary injunction and held that Sega had established a strong likelihood of success on its direct copyright infringement claim. The court found that the uploading and downloading of Sega's games constituted unlawful copying under the Copyright Act and that Maphia was aware that such uploading and downloading activities were taking place in connection with its bulletin board. Moreover, the court stated that, even if Maphia did not have knowledge of specific acts of copying by its bulletin board users, Maphia's felicitation and encouragement of such copying constituted contributory infringement.⁷⁴

After granting a preliminary injunction against Maphia, Wilken, J., of the District Court of Northern California granted the plaintiff's request for a permanent injunction prohibiting further copying of Sega games.⁷⁵ The court also granted a summary judgment in favour of the plaintiff as it found that the defendant's actions constituted contributory copyright infringement. As the four fair use factors namely purpose and character of the use; the nature of the copyrighted work; the amount and substantiality of the portion used; and the effect of the use upon the market for the copyrighted work, all weighed against the defendant, the court rejected its fair use defence.

⁷³ 857 F.Supp.679 (N.D.Cal.1994)

⁷⁴ See *supra* n. 70 at 211.

In *Central Point Software v. Nugent*⁷⁶, Cobb, J., of the District Court of Eastern Texas granted a permanent injunction and a summary judgment, finding that the presence of plaintiff's software available for downloading on the defendant's BBS constituted copyright infringement by the defendant. The court also ordered that the defendant pay to the plaintiff attorney's fees.

The next case addresses whether an operator of a BBS, and the large Internet access provider that allows the BBS to reach the Internet, should be liable for copyright infringement committed by a subscriber of a BBS. In *Religious Technology Center v. Netcom Online Communication*,⁷⁷ copyright holders brought an action against operator of computer bulletin board service (BBS) and Internet access provider, seeking to hold defendants liable for copyright infringement committed by BBS subscriber. Plaintiffs, Religious Technology Center and Bridge Publications, Inc. held copyrights in the unpublished works of L. Ron Hubbard, the late founder of the Church of Scientology. Defendant Dennis Erlich was a former minister of Scientology who turned vocal critic of the church and whose pulpit was then the Usenet group⁷⁸ alt.religion.scientology ("a.r.s"), an online forum for discussion and criticism of Scientology. Plaintiffs maintained that Erlich infringed their copyrights when he posted portions of their works on a.r.s. Erlich gained his access to the Internet through defendant Thomas Klemesrud's BBS "support.com". Klemesrud was the operator of the BBS, which was run out of his home and has approximately 500 paying users. Klemesrud's BBS was not directly linked to the

⁷⁵ *Sega Enterprises Ltd v. Maphia*, 948 F.Supp. 923 (N.D.Cal. 1996).

⁷⁶ 903 F.Supp. 1057 (E.D.Tex. 1995).

⁷⁷ 907 F.Supp. 1361 (N.D.Cal. 1995).

⁷⁸ Usenet is a worldwide community of electronic BBS that is closely linked with the Internet.

Internet, but gained its connection through the facilities of defendant Netcom On-line Communications, Inc., one of the largest providers of Internet access in the United States.

After failing to convince Erlich to stop his postings, plaintiffs contacted defendants Klemesrud and Netcom. Klemesrud responded to plaintiff's demands that Erlich be kept off his system by asking plaintiffs to prove that they owned the copyrights to the works posted by Erlich. However, plaintiffs refused Klemesrud's request as unreasonable. Netcom similarly refused plaintiff's request that Erlich not be allowed to gain access to the Internet through its system. Netcom contended that it would be impossible to pre-screen Erlich's postings and that to kick Erlich off the Internet meant kicking off the hundreds of users of Klemesrud's BBS. Consequently, plaintiffs named Klemesrud and Netcom in their suit against Erlich, although only on the copyright infringement claims. Whyte, J., of the District Court of Northern California held that the access provider was not directly liable for copies that were made and stored on its computer; fact issue as to whether access provider had knowledge of infringing activity precluded summary judgment on contributory infringement claim; access provider did not receive direct financial benefit from infringing activity necessary to hold it vicariously liable; fact issues precluded summary judgment on access provider's fair use defence; bulletin board operator could not be held liable on theories of direct infringement or vicarious liability and copyright holders were not entitled to preliminary injunction.

Frank Music Corporation v. CompuServe Inc.,⁷⁹ was a class action for copyright infringement that had the potential to establish new law in the Internet arena but the parties settled. Frank Music alleged that CompuServe had infringed Frank Music's copyright in the song "Unchained Melody" by permitting CompuServe customers to upload unauthorised copies of the song onto a bulletin board maintained by CompuServe, storing uploaded copies of the song in CompuServe's computers and permitting users to copy the song by downloading it from the bulletin board. CompuServe claimed that the bulletin board was managed by a third party who was solely responsible for any infringement that might have occurred and it further stated that it would be too expensive to monitor and review all bulletin board postings for copyrighted materials, especially in light of CompuServe's low subscription rates. Finally, the court approved a settlement.

In *Playboy Enterprises, Inc. v. Webbworld, Inc.*⁸⁰, the plaintiff sued the defendant for copyright infringement as images that appeared in plaintiff's copyrighted magazines were available on the defendant's web site without the plaintiff's authorisation. On Playboy's motion for summary judgment Saffles, J., of the District Court of Northern Texas held that the site operator was liable for direct copyright infringement and further held that an award of statutory damages of \$5000/- per act of infringement was appropriate.

In *Marobie-FL, Inc. v. Nat'l Assn. of Fire Equipment Distributors*⁸¹, the court

⁷⁹ No. 93 Civ. 8153 (S.D.N.Y. filed Nov. 29, 1993; court approved settlement Dec. 19, 1995). *See supra* n. 70 at 212.

⁸⁰ 968 F.Supp. 1171 (N.D.Tex. 1997).

⁸¹ No.96-C-2966, 1997 U.S. Dist. LEXIS 18764 (N.D.Ill. Nov.18, 1997).

followed the rulings in *Playboy Enterprises, Inc. v. Frena* and *Sega Enterprises Ltd. V. Maphia*⁸² and found that the actions of the defendant constituted a violation of plaintiff's exclusive right to reproduce its clip art software.

These classes of cases discussed above show that courts have dealt with several complex issues. Litigation has proven to be an effective remedy but other alternatives should also be considered for this emerging bulk of caseload in Internet law. In the light of the complexities posed in copyright issues over the Internet, thought should be given as to whether there could be agreements between content providers and Internet access providers to settle disputes through arbitration as it is faster and there are experts in this area who can act as arbitrators. For example, the WIPO has a panel of experts in Intellectual Property who act as arbitrators.

(b) Publishing Rights

The next important category relates to that of Electronic Publishing Rights. In *Tasini v. New York Times Co.*⁸³, a suit was filed against The New York Times and others alleging unauthorised reproduction of the plaintiff's work in electronic databases. Even though the authors had not consented to have their articles published in an electronic database following initial publication, the court concluded that the publisher's act of making the articles available online constituted a "revision" of the collective work in which the respective articles first appeared and the electronic publications constituted permissible revisions under Section 201(c) of the Copyright Act. Sotomayor, J., of the

⁸² See *supra* pages 35 & 36 respectively.

⁸³ 972 F.Supp. 804 (S.D.N.Y. 1997).

District Court of Southern New York held that the publishers were entitled to place contents of their periodicals into electronic databases and onto CD-ROMs without securing permission of writers whose contributions were included in publishers' periodicals.

Some of the plaintiffs in this suit filed a motion for reconsideration after the district court dismissed their previous complaint.⁸⁴ Sotomayor, J., of the District Court of Southern New York held that articles originally appearing in magazines were substantially similar to online and disc versions of the articles, and were thus permissible "revisions" under the Copyright Act. The court denied the plaintiff's motion for reconsideration.

Today, most of the leading newspapers and magazines have online editions. In such an environment and with the competition to have an Internet presence by many publications, disputes in this are likely to surface more in the years to come.

(c) Linking and Framing

The next category of cases involving 'linking' and 'framing' are possibly the most common copyright infringements that could occur over the Internet and it is necessary to look into this in detail. The Internet is nothing more than a vast series of links between computers storing data being made available to the public. While the World Wide Web has continued to grow on the ability to link from one web site to another, parties are beginning to challenge in court unauthorised links to their sites. 'Framing' technology

takes linking one step further. Framing, for example, permits the operator of web site 'A' to allow his visitors to link to web site 'B' while particular contents (e.g., an advertising banner or web site A's logo) from web site 'A' remains on the visitors' computer screens.⁸⁵

In *Washington Post Co. v. TotalNews Inc.*⁸⁶, TotalNews created a convenient hub site for linking to some of the most well known news purveyors on the Internet. Users could link to such household names as The Washington Post, CNN, and USA Today. But instead of merely routing users to their chosen destination, TotalNews presented the linked site encased within an ever-present frame decorated with the TotalNews logo and affiliated banner ads. The Washington Post, along with several other "framed" media heavyweights, sued to enjoin TotalNews from its novel linking practices. Most notably, the media giants worried that unwanted association with TotalNews and its promotional partners would dilute the value of their trademarks. They also sued TotalNews for copyright infringement. On the other hand, TotalNews argued that the freedom to link is a fundamental right on the Internet. The case settled out of court. Under the settlement agreement, TotalNews acquired a licence to link to the media sites, albeit sans frame. The crucial question as to whether commercial sites may link to one another without permission remains unanswered.⁸⁷

⁸⁴ *Tasini v. The New York Times Co.*, 981 F.Supp. 841 (S.D.N.Y. 1997).

⁸⁵ See *supra* n. 70 at 225.

⁸⁶ No. 92CV01190 (S.D.N.Y. filed Feb. 22, 1997).

⁸⁷ Also see *Ticketmaster Corp. v. Microsoft Corp.*, No. 97 Civ. 3055 (C.D. Cal. filed Apr. 28, 1997).

In *Futuredontics, Inc. v. Applied Anagramics, Inc.*⁸⁸, the plaintiff claimed copyright infringement and unfair competition when the defendant linked to and framed the plaintiff's web site. Futuredontics argued that such framing creates a derivative work, while Applied Anagramic claimed their link allowed viewers to see material that Futuredontics placed on the web. On January 30, 1998, the U.S. District Court for the Central District of California denied the defendant's motion to dismiss the case stating that the defendant's action may have constituted the creation of a derivative work. On July 23, 1998, the U.S. Court of Appeals for the Ninth Circuit affirmed a November 24, 1997 ruling that denied the plaintiff's request for a preliminary injunction. The court stated that the plaintiff failed to offer sufficient evidence that the defendant created a derivative work, to show that the framing created irreparable injury or that the balance of hardships tips sharply in its favour.

*Shetland Times v. Jonathan Wills*⁸⁹ was UK's first case involving hypertext links on the Internet and was settled in November 1997 in the Scottish Court of Session. The case, brought by The Shetland Times against the operators of the Shetland News Internet news site (www.shetland-news.co.uk), concerned the linking by Shetland News of its news web site to the web site of The Shetland Times. Shetland News linked directly to news stories published by The Shetland Times using the headlines created by The Shetland Times for those stories. The Shetland Times initially obtained a temporary injunction restraining Shetland News from doing this. The case settled on the basis that

⁸⁸ No. CV 97-6991 (C.D. Cal). Orders dated Nov 24th 1997, Jan 30th 1998 of the district court and order dated July 23rd 1998 of the Court of Appeals for the Ninth circuit. See *Supra* n. 70 at 226-227. Also see <http://legal.web.aol.com/decisions/dlip/future.html>.

the Shetland News could link to stories on The Shetland Times' web site through news headlines on condition that:

- (a) each link to any individual story shall be acknowledged by using the legend 'A Shetland Times Story' appearing underneath each headline and of the same size or similar size as the headline;
- (b) adjacent to any such headline or headlines there shall appear a button showing legibly The Shetland Times masthead logo; and
- (c) the legend and the button shall each be hypertext links to The Shetland Times online headline page.

The early settlement of this case was somewhat disappointing from a legal point of view as the initial hearing of the temporary injunction application raised a number of interesting issues concerning the Internet which remains unresolved. This included the legal status of hypertext links and the application to the Internet of certain broadcasting related aspects of UK copyright law.⁹⁰

Conclusion

The above mentioned are probably the various possible categories under which Copyright law could be applied to disputes over Internet. It is clear that courts have applied traditional principles of Copyright law to these kinds of disputes. There has been an effort especially in the United States to bring about legislation in consonance with

⁸⁹ 1997 FLEET STREET REPORTS 604. Also see Terence Tan, *Law and Cyberspace*, THE SINGAPORE LAW GAZETTE 20, 24 (October 1998).

⁹⁰ Editorial, *Shetland Times Case Settles*, COMPUTERS & LAW 25 (Dec.'97/ Jan.'98); Fraser McMillan, Dundas & Wilson and March Crichard, Garretts, *Shetland Case Settles*, 6:1 IT LAW TODAY 1 (Jan '98).

such disputes. However it is important to look into the aspect whether such disputes could be solved through Alternative Dispute Mechanisms especially Arbitration, as the nature of these disputes have the potential of being cross border.

B. Kinds of Disputes in Electronic Commerce

(i) Background

As already stated this thesis will mainly deal with Intellectual Property disputes over the Internet and disputes in Electronic Commerce. There has been more litigation in the area of Intellectual Property issues than in Electronic Commerce. This is because E-Commerce, especially in the open networks is relatively a very new area and many countries are still developing the infrastructure to cater to this kind of trade. Most of the developed countries have the infrastructure in place and E-Commerce has started in full swing in those countries. This thesis will endeavour to find out the basic legal issues in E-Commerce and emphasis would mainly be on the kinds of disputes that could arise in this area.

Electronic Commerce has been in use for many years, under the auspices of many different technologies, including telegraph, telex, fax, interactive telephone, E-Mail, private data exchanges (such as EDI, ATM transfers and wholesale fund transfers) and the Internet. Although it is with the emergence of the Internet that E-Commerce has become a popular topic among policy makers, it embraces more than just the Internet.⁹¹ E-Commerce encompasses various stages of the chain of modern commerce and would

cover advertising and marketing; negotiating contracts; actual formation of contracts; delivery of products and services on-line, eg., information, software and videos; online contracts with underlying delivery of physical products offline as subject matter of online contracts; payment and settlement online etc.⁹² Businesses throughout the world are transmitting and exchanging commercial information, software, and services electronically, setting the stage for a revolution in the way commerce is transacted. The application of digital technologies to business communications has offered a powerful new means for international commercial expansion, permitting businesses to forge new paths towards higher productivity, competitiveness and growth.⁹³ The UNCITRAL Model Law on Electronic Commerce was adopted on December 16, 1996.⁹⁴ The purpose of the Model Law is to offer national legislators a set of internationally acceptable rules as to how the legal obstacles may be removed, and how a more secure legal environment may be created for E-Commerce. The Model Law on Electronic Commerce deals with various issues such as legal recognition of data messages,⁹⁵ requirements of writing,⁹⁶ requirements of signature,⁹⁷ admissibility and evidential weight of data messages,⁹⁸

⁹¹ Benjamin Wright, *Electronic Commerce legislation – Frequently asked questions*, 13:4 COMPUTER LAW & SECURITY REPORT 266 (1997); For an excellent account on E-Commerce law see in entirety BENJAMIN WRIGHT & JANE K. WINN, *THE LAW OF ELECTRONIC COMMERCE* (3rd ed. 1998).

⁹² Charles Lim, *Legal issues of Electronic Commerce*, THE SINGAPORE LAW GAZETTE 18 (Feb. 1998).

⁹³ See Chapter I of 'General Usage in International Digitally Ensured Commerce' (GUIDEC) drafted by the International Chamber of Commerce (ICC) which is available at <http://www.iccwbo.org/guidec2.htm>.

⁹⁴ The text of the UNCITRAL Model Law on Electronic Commerce with Guide to Enactment is available at <http://www.un.or.at/uncitral/english/texts/electcom/ml-ec.htm>; For an analysis of the Model Law see Richard Hill & Ian Walden, *The Draft UNCITRAL Model Law for Electronic Commerce: Issues and Solutions*, 13:3 THE COMPUTER LAWYER 18 (Mar. 1996).

⁹⁵ Article 5 of UNCITRAL Model Law on E-Commerce.

⁹⁶ See *id.*, Article 6.

⁹⁷ See *supra* n. 95, Article 7.

⁹⁸ See *supra* n. 95, Article 9.

formation and validity of contracts,⁹⁹ and it also deals with E-Commerce in the area of carriage of goods.¹⁰⁰ It is indeed a comprehensive guide for nations to follow.

Many nations are enacting new legislation to cater to Internet E-Commerce. Singapore is one of the countries which has realised the potential of E-Commerce and it has enacted the Electronic Transactions Act in 1998.¹⁰¹ This legislation was derived substantially from the Illinois Electronic Commerce Security Act and the Utah Digital Signature Act. Some provisions are taken from the UNCITRAL Model Law on E-Commerce, the German Federal law to regulate conditions for information and communication services, and the Florida Electronic Signatures Act.¹⁰² It *inter-alia* deals with aspects such as Liability of network service provider,¹⁰³ electronic contracts,¹⁰⁴ effect of digital signatures,¹⁰⁵ duties of certification authorities,¹⁰⁶ duties of subscribers,¹⁰⁷ and regulation of certification authorities.¹⁰⁸ Apart from these legal issues in E-Commerce there could be issues relating to Jurisdiction and Conflict of laws and also Intellectual Property issues. The Intellectual Property issues with regard to the Internet have been dealt with in detail earlier in this Chapter and they would apply to E-Commerce transactions too. The provisions of the UNCITRAL Model law on Electronic Commerce and the Electronic Transactions Act of Singapore are very much relevant

⁹⁹ See *supra* n. 95, Article 11.

¹⁰⁰ See *supra* n. 95, Articles 16 & 17.

¹⁰¹ The Electronic Transactions Act 1998 (Act 25 of 1998), Republic of Singapore Government Gazette, Acts Supplement dated 10th July 1998. The Act was passed by Parliament on 29th June 1998 and assented by the President on 3rd July 1998.

¹⁰² Ter Kah Leng, *New laws on E-Commerce: Singapore*, 15:1 COMPUTER LAW & SECURITY REPORT, 8, 13 (1999).

¹⁰³ Section 10 of Electronic Transactions Act 1998.

¹⁰⁴ See *id*, Sections 11 to 15.

¹⁰⁵ See *supra* n. 103, Sections 19 to 22.

¹⁰⁶ See *supra* n. 103, Sections 27 to 35.

¹⁰⁷ See *supra* n. 103, Sections 36 to 40.

when it comes to disputes. These would be dealt with in detail in Chapter 5, which will deal with on-line arbitration.

Disputes in Electronic Commerce have much in common with disputes in other contexts, however, there are also some differences which require new or adapted solutions. The kinds of dispute could be classified as contractual and non-contractual disputes that are discussed below.

(ii) Contractual Disputes

The following contracts are particularly relevant for Electronic Commerce transactions.

(a) Contracts concerning telecommunications infrastructure for E-Commerce

“These contracts concern the telecommunications infrastructure for electronic commerce, and specifically contracts between enterprises that operate this infrastructure and enterprises that want to use it in order to offer different or competing services to third parties. Such ‘interconnection’ agreements often affect public licenses, and therefore have a special legal status.”¹⁰⁹

As the conditions of contract can change very quickly and provisions of other contracts can affect the agreements reached in a contract, the disputes in this category are quite complex. In many countries regulatory bodies exist which have the power to

¹⁰⁸ See *supra* n. 103, Sections 41 to 46.

intervene in the conclusion and execution of such contracts. This is probably the main reason why domestic rules of law (especially those relevant to the licensing of telecommunication operations) often contain dispute resolution mechanisms. Disputes of this kind have already arisen and have been brought before the courts¹¹⁰ or settled in special proceedings.

(b) Contracts between Users of the Information Highway and firms that grant access to it

In this group fall contracts regarding telecommunication services, in particular those of “service providers” which grant access to communications networks, for example the Internet service offered by ‘Pacific Net’ in Singapore to customers on payment of certain charges. The provisions of such contracts are normally set forth in the service provider’s general conditions of contract. Disputes in this area most often concern bills and conditions of access, so the amount in dispute is generally quite small. However, this category includes more than simple billing disputes, such as controversies with regard to the liability of service providers or duties of the user concerning information transmitted.¹¹¹

¹⁰⁹ Michael E. Schneider & Christopher Kuner, *Dispute Resolution in International Electronic Commerce*, 14:3 J. INT’L ARBITRATION, 5, 6 (Sep.1997).

¹¹⁰ The case relating to the dispute between Mercury and OFTEL, the British regulatory body, concerning the basis on which British Telecom (BT) determined interconnect prices. On 9 February 1995, the House of Lords upheld Mercury’s claim and revised the interpretation that OFTEL had given to its agreement with BT. See Michael E. Schneider & Christopher Kuner, *Dispute Resolution in International Electronic Commerce*, 14:3 J. INT’L ARBITRATION 5, 7 at footnote 7 (Sep. 1997).

(c) Contracts between users

The contract between users is very important. It is in this group that the special characteristics of electronic commerce and the variety of relationships to which it gives rise become particularly apparent. The contracts could be in the realm of closed networks such as Electronic Data Interchange (EDI) or in the realm of open networks such as regular E-Commerce involving transactions between vendors and purchasers over the Internet. There could be many disputes that might arise in this area. There might be misunderstandings of the terms of contracts that could give rise to disputes. It is wise for parties to consider having an arbitration clause in such contracts.

(iii) Non-contractual Disputes

Disputes relating to copyright, data protection, the right of free expression, and competition law are some examples of non-contractual disputes that could arise in E-Commerce. It is in the nature of the Information Highway that such non-contractual disputes may only be regulated internationally by means of treaties and other forms of transnational co-operation. Some of the examples are the World Intellectual Property Organisation (WIPO) agreements on copyrights and the Internet, the Organisation for Economic Co-operation and Development (OECD) cryptography negotiations, and the consultations within the European Union and the G-7 States on Internet content regulation.¹¹²

¹¹¹ See *supra* n. 109 at page 7.

¹¹² See *supra* n. 109 at page 9.

Conclusion

Now that a basic background of the kinds of disputes over the Internet have been dealt with it is important to see what are the available options for dispute settlement. This would be dealt with in the next chapter.

CHAPTER – 3

Available Options for Dispute Settlement

A. Background

The first and main option for dispute settlement in the context of Internet disputes, like any other disputes is court litigation and this is predominantly resorted to more than Alternative Dispute Resolution (ADR). ADR is being encouraged these days in many areas of law as it is lot more advantageous and this Chapter would deal with the efforts taken by International Organizations to provide dispute resolution mechanisms for disputes in the arena of the Internet. There have been a lot of efforts mainly in the area of 'Domain Names' for providing comprehensive dispute resolution policies, as it is this area that has given rise to a lot of litigation. Firstly, the various options that are available for dispute resolution for domain name disputes would be dealt with. The options for dispute settlement in Electronic Data Interchange (EDI) would be dealt with next.

B. Domain Names

(i) Network Solutions Inc. (NSI) Dispute Resolution Policy

The NSI at present follows the Uniform Domain Name Dispute Resolution Policy (UDRP) propounded by ICANN, the new corporation for assigning names and numbers.¹¹³ Earlier, before the formation of ICANN, NSI had a Name Dispute Policy Statement that it announced in July 1995 and it was modified in November of that year and again in September 1996.

¹¹³ See Domain Magistrate from NSI available at <http://www.domainmagistarte.com/dispute-policy.html>; For detailed discussion of the ICANN's UDRP see *infra*.

According to that policy the owner of a valid US trademark registration could dispute ownership by a third party of a domain name which was identical to the challenger's registered mark, with the result that if the domain name holder did not own a federal registration of that name the domain name would be placed on hold status and would not be available for use by anyone until the court or the American Arbitration Association Panel resolved the trademark dispute and the NSI was presented with the order by the victorious party. In such a case the NSI would assign the domain name owner a new name, and permit 90 days transition from the contested name into a new name. If the domain name owner had a valid US registration, however, NSI would not get involved and the parties would have to go to court or arbitration for resolution of the dispute.¹¹⁴ Anyway, the old policy has no effect now as the Uniform Domain Name Dispute Resolution Policy is in vogue.

(ii) Nominet U.K., Dispute Resolution Policy

Nominet U.K., the national registry for all Internet Domain names ending .uk, has unveiled a multistage service for companies in dispute over Internet Domain Names in the .uk top level domain, designed to resolve disputes before they escalate to litigation.¹¹⁵

On learning of a dispute about an Internet Domain Name registered under a sub domain of the .uk top level domain, between the organisation or individual and another laying claim to a stronger right to register it, Nominet will assist the parties by providing

¹¹⁴ Robyn Durie, *The Internet, Trademarks and Domain Names*, 13:1 COMPUTER LAW & SECURITY REPORT 29 at 31 (1997).

¹¹⁵ The text of the Nominet UK Dispute Resolution Service is available at <http://www.nic.uk/ref/drs.html>. Also see Editorial, *Nominet UK launches Dispute Resolution Scheme*, COMPUTERS AND LAW 18 (June/July 1997).

the services namely investigation, formal action under the rules and the Nominet Alternative Dispute Resolution Service. At first there will be an investigation where Nominet UK will seek to establish whether a mutually acceptable resolution to the dispute can be found by the impartial intervention of Senior Executive Staff of Nominet UK.

Then, formal actions under the rules would be taken such as suspension of the domain name and referring the matter to an independent expert for a recommendation. After the recommendation by the expert is obtained, Nominet will reconsider its earlier decision of suspension. If either party is dissatisfied with Nominet UK's final decision on suspension of delegation of the Domain Name, Nominet UK will inform the parties of the Nominet Alternative Dispute Resolution Service, administered by the Centre for Dispute Resolution (CEDR) and forward to them details of the service. If one of the parties refuses to enter into a mediation agreement (or mediation does not resolve the dispute) the dissatisfied party will remain in a position to seek advice from its lawyers about pursuing its case by litigation in the courts or (with the agreement of the other party) in arbitration.

Nominet UK ADR is a form of mediation and conciliation whereby parties to a dispute agree with a neutral third party intermediary to assist them to reach a negotiated settlement agreement. Mediation fees and expenses are borne by the parties. The process aims to avoid the delay, expense and confrontation associated with litigation and arbitration. Parties invoking the Nominet UK ADR Services do not have to pay a

membership or arrangement fee to CEDR. Mediation fees are based on the value of the claim and will be quoted by the CEDR helpdesk.

(iii) ICANN and the WIPO Domain Name Process

An early stage in the discussions for the organisation and management of the domain name system was the work of the International Ad Hoc Committee (IAHC), which culminated in the publication on February 4, 1997, a final report containing recommendations for the administration and management of gTLDs. On July 1, 1997, as part of his Administration's Framework for Global Electronic commerce, the President of the United States, Mr. Clinton, instructed the United States Secretary of Commerce to privatise the DNS in a manner that increased competition and facilitated international participation in its management. The United States Department of Commerce issued a Request for Comments on the administration of the DNS on July 2, 1997. In this document, public input was sought on issues relating to the overall framework of the DNS administration, the creation of new top-level domains, policies for domain name registrars, and trademark issues.¹¹⁶

On the basis of comments received, on January 30, 1998, the National Telecommunications and Information Administration (NTIA), an agency of the United States Department of Commerce, issued for comment, 'A Proposal to Improve the Technical Management of Internet Names and Addresses' (the *Green Paper*).¹¹⁷

¹¹⁶ See ¶¶ 15 & 16 of the Interim Report of the WIPO Internet Domain Name Process dated December 23, 1998, <http://wipo2.wipo.int/process/eng/rfc3>. [Hereinafter WIPO Interim Report].

¹¹⁷ The RFC, the Green paper and comments received in response to those documents are available at <http://www.ntia.doc.gov>.

Following the closure of the comments period, NTIA issued, on June 5, 1998, its 'Statement of Policy on the Management of Internet Names and Addresses' (the *White Paper*).¹¹⁸ The White Paper confirmed the call contained in the Green paper for the creation of a new, private, not-for-profit corporation responsible for co-ordinating specific DNS functions for the benefit of the Internet as a whole.¹¹⁹

Following the publication of the White paper, a process occurred which resulted in the formation of the **Internet Corporation for Assigned Names and Numbers (ICANN)**.¹²⁰ Before dwelling into the dispute resolution procedure that ICANN has adopted it is necessary to first discuss about the WIPO Internet Domain Name Process.

(a) WIPO Internet Domain Name Process

The White Paper of the United States Government confined its specific recommendation to the desirable features of the management of the DNS and to the transition of that management to the new corporation. In respect of intellectual property, the White paper stated that the U.S. Government would seek international support to call upon the World Intellectual Property Organization (WIPO) to initiate a balanced and transparent process, which would include the participation of trademark holders and members of the Internet community who are not trademark holders to (1) develop recommendations for a uniform approach to resolving trademark/domain name disputes involving cyber-piracy (as opposed to conflicts between trademark holders with

¹¹⁸ http://www.ntia.doc.gov/ntiahome/domainname/6_5_98dns.htm

¹¹⁹ See WIPO Interim Report, *supra* n. 116 at ¶ 18.

¹²⁰ <http://www.icann.org>. See generally Nicholas Wood, *ICANN: A Place at the Table for Trademark Owners*, DOMAIN NAMES SUPPLEMENT 25 (May 1999).

legitimate competing rights), (2) recommend a process for protecting famous trademarks in the generic top level domains, and (3) evaluate the effects, based on studies conducted by independent organizations, such as the National Research Council of the National Academy of Sciences, of adding new gTLDs and related dispute resolution procedures on trademark and intellectual property holders. These findings and recommendations could be submitted to the board of the new corporation for its consideration in conjunction with its development of registry and registrar policy and the creation and introduction of new gTLDs.

Since the publication of the White Paper, WIPO received the approval of its member states to undertake the international process called for in the White Paper. The WIPO Internet Domain Name Process comprised three stages.

The first stage was concerned with obtaining consensus on the issues to be addressed in the WIPO process, the procedures to be used and the timetable in which the process would take place. To this end a Request for Comments (WIPO RFC-1) was issued on July 8, 1998, with a deadline for receipt of comments of August 24, 1998.¹²¹

The second stage of the WIPO process consisted of seeking comments and consulting on the issues defined after consideration of the comments received on WIPO

¹²¹ Sixty-six governments, intergovernmental organisations, professional associations, corporations and individuals provided comments in response to WIPO RFC-1. See WIPO Interim Report, *supra* n. 116 at ¶25.

RFC-1. To this end, a second Request for Comments (WIPO RFC-2) was issued on September 16, 1998, with a deadline for receipt of comments on November 6, 1998.¹²²

The third stage of the WIPO Process consisted of the publication, on December 23, 1998, of an Interim Report containing interim recommendations, which were, in turn, opened to comments, in the form of a third Request for Comments (WIPO RFC-3).¹²³

After the closure of the period for comments and the conclusion of the regional consultation meetings, WIPO published a Final Report of the Internet Domain Name Process on April 30, 1999¹²⁴ which was transmitted to ICANN, as well as reported to the member states of WIPO. In its Final Report WIPO summarised the various aspects of the Internet Domain Name Process into five chapters namely (1) The Internet, Domain Names, and the WIPO Process, (2) Avoiding Disjunction Between Cyberspace and the Rest of the World: Practices Designed to Minimise Conflicts Arising out of Domain Name Registrations, (3) Resolving Conflicts in a Multijurisdictional World with a Global Medium: Uniform Dispute Resolution Procedures Court, (4) The Problems of Notoriety: Famous and Well-Known Marks, (5) New Generic Top-Level Domains: Some

¹²² Seventy-two governments, intergovernmental organisations, professional associations, corporations and individuals provided comments in response to WIPO RFC-2. Another important part of the second stage was the holding of regional consultation meetings in order to discuss and to receive comments on the issues under consideration. A total of 848 persons attended those regional consultation meetings held at San Francisco, USA; Brussels, Belgium; Washington, DC, USA; Mexico City, Mexico; Cape Town, South Africa; Asuncion, Paraguay; Tokyo, Japan; Hyderabad, India; Budapest, Hungary; Cairo, Egypt and Sydney, Australia. See *supra* n. 116 at ¶26.

¹²³ 194 governments, intergovernmental organisations, professional associations, corporations and individuals had provided comments in response to WIPO RFC-3. In addition, a second round of consultation meetings was held to discuss and to receive comments on the Interim Report. A total of 416 persons attended the second round of regional consultation meetings held at Toronto, Canada; Singapore; Rio de Janeiro, Brazil; Dakar, Senegal; Brussels, Belgium and Washington, DC, USA. See Chapter 1 of the Final Report of the Internet Domain Name Process dated April 30, 1999, <http://wipo2.wipo.int/process/eng/final/FinalReport.html> [Hereinafter WIPO Final Report].

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Considerations from the Perspective of Intellectual Property. For the purposes of this Thesis concentration would be on the Dispute Resolution Policy recommended by WIPO covered under Chapter 3 of the WIPO Final Report. The following are the various recommendations made in the Final Report.

Court Litigation

The WIPO Final Report recommended that any dispute-resolution system, which is alternative to litigation and to which domain name applicants are required to submit, should not deny the parties to the dispute access to court litigation. It also recommended that the domain name applicant be required, in the domain name registration agreement, to submit, without prejudice to other potentially applicable jurisdictions, to the jurisdiction of the courts of: (a) the country of domicile of the domain name applicant, and (b) the country where the registrar is located.

Mandatory Administrative Procedure Concerning Abusive Registrations

The WIPO Final Report recommended that a policy to make available a uniform administrative dispute-resolution procedure be adopted for all open gTLDs and the domain registration agreement require the applicant to submit to the administrative dispute-resolution. The scope of the administrative procedure was to be limited to the abusive registration of domain names.

It was recommended that: (a) the merits of a complaint under the administrative procedure be decided in accordance with the definition of abusive registration of a

domain name, and (b) in applying the definition of abusive registration, the panel of decision-makers shall, to the extent necessary, apply the law or the rules of law that it determines to be appropriate in view of all the circumstances of the case. It was also recommended that the remedies available under the administrative procedure be limited to: (a) the cancellation of the domain name registration, (b) the transfer of the domain name registration to the third party complainant, and (c) the allocation of the responsibility for payment of the costs of the proceedings.

There were various other recommendations made with regard to the Mandatory Administrative Dispute Resolution Procedure. These have been adopted by ICANN in the Uniform Domain Name Dispute Resolution Policy.

The Availability of Voluntary Arbitration

The Report recommended that the domain name registration agreement contain a provision for a domain name applicant to submit, on an optional basis, to arbitration in respect of any dispute in relation to the domain name. It was also recommended that the clauses in the domain name registration agreement, which provide for an applicant to submit, at its option, to arbitration, envisage that the arbitration procedure take place on-line.

The Role of Mediation

The Report stated that while parties with good faith disputes were encouraged to consider the advantages of mediation as a means of resolving the dispute, it was not

recommended that a submission to mediation, whether optional or mandatory, be incorporated in the domain name registration agreement.

The above suggestions and recommendations which formed the core of the Final Report was transmitted to ICANN. There was strong general support for most of the WIPO-recommended principles. Before dwelling into ICANN'S Uniform Domain Name Dispute Resolution Policy it is important to have a bird's eye view of various agreements approved among ICANN, the U.S. Department of Commerce, and Network Solutions, Inc.

(b) Approved Agreements among ICANN, the U.S. Department of Commerce, and Network Solutions Inc.

The United States Department of Commerce, Network Solutions, Inc. (NSI), and ICANN announced on Sep. 28, 1999 a series of agreements they had tentatively reached to resolve outstanding differences among the three parties. On November 4, 1999, based on public comment in writing and at a public forum held at the ICANN annual meeting, the ICANN board approved revised versions of these agreements. The three parties signed the agreements on November 10, 1999.¹²⁵ The approved agreements are as follows:

- NSI/ICANN Registry Agreement
- Revised Registrar Accreditation Agreement (between ICANN and registrars)

- ICANN/NSI Registrar Transition Agreement (between ICANN and NSI regarding transition from legacy registration business)
- Revised Registrar License and Agreement (between NSI and registrars)
- Amendment 19 to the DOC/NSI Co-operative Agreement
- Amendment 1 to the DOC/ICANN Memorandum of Understanding

ICANN-NSI Registry Agreement

This is a registry agreement under which NSI will operate the registry for the .com, .net and .org top-level domains according to requirements stated in the agreement and developed in the future through the ICANN consensus-based process. All ICANN-accredited registrars will have equal access to this registry.¹²⁶ The following are some of the salient provisions of the ICANN-NSI Registry Agreement.

According to the agreement ICANN acknowledges and agrees that NSI is and will remain the registry for the Registry TLD(s) throughout the term of the agreement.¹²⁷ The general obligations of NSI and ICANN are provided for in Sections 3 and 4 of the agreement respectively.

Section 13 provides for resolution of disputes and is very much relevant to the present thesis. It states that disputes arising under or in connection with the Agreement, including requests for specific performance, shall be resolved in a court of competent jurisdiction or, at the election of both parties (except for any dispute over whether a

¹²⁶ The text of the ICANN-NSI Registry Agreement can be found at <http://www.icann.org/nsi/nsi-registry-agreement-04nov99.htm>

policy adopted by the Board is a Consensus Policy, in which case at the election of either party), by an **arbitration** conducted as provided in this Section pursuant to the International Arbitration Rules of the American Arbitration Association ("AAA"). The arbitration shall be conducted in English and shall occur in Los Angeles County, California, USA. There shall be three arbitrators: each party shall choose one arbitrator and, if the two arbitrators are not able to agree on a third arbitrator, the third shall be chosen by the AAA. The parties shall bear the costs of the arbitration in equal shares, subject to the right of the arbitrators to reallocate the costs in their award as provided in the AAA rules. The parties shall bear their own attorney's fees in connection with the arbitration, and the arbitrators may not reallocate the attorneys' fees in conjunction with their award. The arbitrators shall render their decision within ninety days of the initiation of arbitration. In all litigation involving ICANN concerning the Agreement (whether in a case where arbitration has not been elected or to enforce an arbitration award), jurisdiction and exclusive venue for such litigation shall be in a court located in Los Angeles, California, USA; however, the parties shall also have the right to enforce a judgment of such a court in any court of competent jurisdiction. For the purpose of aiding the arbitration and/or preserving the rights of the parties during the pendency of an arbitration, the parties shall have the right to seek temporary or preliminary injunctive relief from the arbitration panel or a court located in Los Angeles, California, USA, which shall not be a waiver of this arbitration agreement.¹²⁸

¹²⁷ See Section 1, *id.*

¹²⁸ *Id.*

A detailed analysis of the above mentioned provision would be considered under Chapter 4 of this thesis.¹²⁹

Section 22 provides for designation of Successor Registry and states that not later than one year prior to the end of the term of this Agreement, ICANN shall adopt an open, transparent procedure for designating a Successor Registry. The requirement that this procedure be opened one year prior to the end of the Agreement shall be waived in the event that the Agreement is terminated prior to its expiration. NSI or its assignee shall be eligible to serve as the Successor Registry and neither the open and transparent procedure established nor the fact that NSI is the incumbent shall disadvantage NSI in comparison to other entities seeking to serve as the Successor Registry.

If NSI or its assignee is not designated as the Successor Registry, NSI or its assignee shall co-operate with ICANN and with the Successor Registry in order to facilitate the smooth transition of operation of the registry to Successor Registry. Such co-operation shall include the timely transfer to the Successor Registry of an electronic copy of the registry databases and of a full specification of the format of the data. ICANN shall select as the Successor Registry the eligible party that it reasonably determines is best qualified to perform the registry function under terms and conditions developed as a Consensus Policy.

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¹²⁹ See Chapter 4 *infra*.

In the event that a party other than NSI or its assignee is designated as the Successor Registry, NSI shall have the right to challenge the reasonableness of ICANN's failure to designate NSI or its assignee as the Successor Registry under the provisions of Section 13 of the agreement.¹³⁰ The Expiration Date of the agreement shall be four years after the effective date, unless extended.¹³¹

It is submitted that the provision relating to designation of successor registries has both advantages and disadvantages. The advantage is that it gives ICANN an option to choose either NSI or any other registry taking into account their credentials and performing capacity. This would keep NSI at a position where it has to perform at its best. On the other hand this provision also gives NSI the right to challenge the reasonableness of ICANN's decision if it does not designate NSI or its assignee as the Successor Registry. This may weigh on the mind of ICANN while choosing the successor registries and might be a disadvantage. But anyway taking into account NSI's experience in registering domain names it can be said that this provision is fair enough to both sides.

Registrar Accreditation Agreement

The revised accreditation agreement is to be entered by ICANN with registrars. Registrars with accreditation agreements dated before November 4, 1999 may substitute the revised agreement for their existing agreements. To continue to register names with the .com, .net, .org registry operated by NSI after November 30, 1999, registrars must

have entered a new Registrar License and Agreement with NSI and the revised ICANN accreditation agreement.

The agreement provides under Section II (K) for Domain-Name Dispute Resolution. It states that during the term of the Agreement, Registrar shall have in place a policy and procedure for resolution of disputes concerning Second Level Domain (SLD) names. In the event that ICANN adopts a policy or procedure for resolution of disputes concerning SLD names that by its terms applies to Registrar, Registrar shall adhere to the policy or procedure.¹³²

ICANN-NSI Registrar Transition Agreement

The ICANN-NSI Transition Agreement governs NSI specific topics such as conversion of its legacy registrar business to conform with the requirements of the ICANN accreditation agreement.¹³³

NSI-Registrar License and Agreement

Under this agreement competitive ICANN-accredited registrars are permitted to place and renew registrations in the registry.

The agreement provides under Section 6.7 for Dispute Resolution, Choice of Law and Venue. It states that the Parties shall attempt to resolve any disputes between them

¹³² See Section II (K) of the Registrar Accreditation Agreement available at <http://www.icann.org/nsi/icann-raa-04nov99.htm>

¹³³ See ICANN-NSI Registrar Transition Agreement available at <http://www.icann.org/nsi/icann-nsi-transition-04nov99.htm>

prior to resorting to litigation. The Agreement is to be construed in accordance with and governed by the internal laws of the Commonwealth of Virginia, United States of America without giving effect to any choice of law rule that would cause the application of the laws of any jurisdiction other than the internal laws of the Commonwealth of Virginia to the rights and duties of the Parties. Each Party to the Agreement shall expressly and irrevocably consent and submit to the jurisdiction and venue of each state and federal court located in the eastern district of the Commonwealth of Virginia (and each appellate court located in the Commonwealth of Virginia) in connection with any such legal proceeding.¹³⁴

This provision suggests that the parties to the agreement should attempt to resolve any disputes between them prior to resorting to litigation. This is an indirect suggestion for parties to choose ADR instead of litigation. This agreement also ousts the jurisdiction of all states except the state of Virginia. The governing law will be that of Virginia and in the event of any legal proceedings the parties have to submit to the jurisdiction of the courts in Virginia. This is definitely an advantage, as the parties have to look into the laws of Virginia only. This will help during dispute resolution, as there will be lesser complications.

Amendment 19 to Co-operative Agreement between NSI and U.S. Government

This agreement is an amendment to the Co-operative Agreement #NCR 92-18742 originally entered between NSI and the National Science Foundation in 1992. On

¹³⁴ See NSI-Registrar License and Agreement available at <http://www.icann.org/nsi/nsi-rla-04nov99.htm>

October 7, 1998, NSI and the United States Department of Commerce (which by then had assumed the National Science Foundation's role as lead agency of the U.S. Government) entered an Amendment 11 to that Co-operative Agreement under which NSI agreed to implement a shared registration system in which competitive registrars would enter registrations into the .com, .net, and .org registry on an equitable basis. Amendment 19 solidifies those arrangements and provides that in operating the registry NSI will abide by consensus policies adopted in the ICANN process.¹³⁵

(c) ICANN'S Uniform Domain Name Dispute Resolution Policy

The Uniform Domain Name Dispute Resolution Policy was adopted on August 26, 1999 and the implementation documents were approved on October 24, 1999. The following are some of the salient provisions of the Uniform Domain Name Dispute Resolution Policy.

“3. Cancellations, Transfers, and Changes. We will cancel, transfer or otherwise make changes to domain name registrations under the following circumstances:

- a. subject to the provisions of Paragraph 8,¹³⁶ our receipt of written or appropriate electronic instructions from you or your authorised agent to take such action;
- b. our receipt of an **order from** court or **arbitral tribunal**, in each case of competent jurisdiction, requiring such actions; and /or

¹³⁵ The text of Amendment 19 to Co-operative Agreement between NSI and U.S. Government is available at <http://www.icann.org/nsi/coopagmt-amend19-04nov99.htm>

¹³⁶ Paragraph 8 provides for conditions regarding transfer of a domain name during a dispute.

- c. our receipt of a decision of an Administrative Panel requiring such actions in any administrative proceeding to which you were a party and which was conducted under this policy or a later version of this policy adopted by ICANN....”¹³⁷

The above provision makes it clear that ICANN will cancel, transfer or otherwise make changes to domain name registrations if it is instructed to do so by the domain name holder or if it receives an order from a court, arbitral tribunal or a decision of the administrative panel. This shows that parties can resort to either litigation or arbitration and in some special circumstance resort to Administrative Proceeding.¹³⁸ A domain

¹³⁷ See ICANN’S Uniform Domain Name Dispute Resolution Policy available at <http://www.icann.org/udrp/udrp-policy-24oct99.htm>

¹³⁸ See *id* at ¶ 4. The following are some important aspects of the provision that deals with the mandatory administrative proceeding:-

“4. Mandatory Administrative Proceeding

This paragraph sets forth the types of disputes for which you are required to submit to a mandatory administrative proceeding. These proceedings will be conducted before one of the administrative-dispute-resolution providers listed at www.icann.org/udrp/approved-providers.htm (each, a “Provider”).

- a. *Applicable Disputes.* You are required to submit to a mandatory administrative proceeding in the event that a third party (a “complainant”) asserts to the applicable Provider, in compliance with the Rules of Procedure, that

- (i) your domain name is identical or confusingly similar to a trademark or service mark in which the complainant has rights; and
- (ii) you have no rights or legitimate interests in respect of the domain; and
- (iii) your domain name has been registered and is being used in bad faith.

In the administrative proceeding, the complainant must prove that each of these three elements is present.

- b. *Evidence of Registration and Use in Bad Faith:* For the purposes of Paragraph 4 (a) (iii), the following circumstances, in particular but without limitation, if found by the panel to be present, shall be evidence of the registration and use of a domain name in bad faith:

- (i) circumstances indicating that you have registered or you have acquired the domain name primarily for the purpose of selling, renting, or otherwise transferring the domain name registration to the complainant who is the owner of the trademark or service mark or to a competitor of that complainant, for valuable consideration in excess of your documented out-of-pocket costs directly related to the domain name; or
 - (ii) you have registered the domain name in order to prevent the owner of the trademark or service mark from reflecting the mark in a corresponding domain name, provided that you have engaged in a pattern of such conduct; or
- you have registered the domain name primarily for the purpose of disrupting the

name holder has to submit to a mandatory administrative proceeding when a complainant asserts that the domain name is identical or confusingly similar to a trademark or service mark in which the complainant has rights and the domain name holder has no rights or legitimate interests in respect of the domain and the domain name has been registered in bad faith. In the administrative proceeding, the complainant must prove that each of these three elements is present.

The Uniform Domain Name Dispute Resolution Policy gives the parties a chance to go to court before the administrative proceedings have commenced or after such

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- (iv) by using the domain name, you have intentionally attempted to attract, for commercial gain, Internet users to your web site or other on-line location, by creating a likelihood of confusion with the complainant's mark as to the source, sponsorship, affiliation, or endorsement of your web site or location or of a product or service on your web site or location....

h. *Our Involvement in Administrative Proceedings:* We do not, and will not, participate in the administration or conduct of any proceeding before an Administrative Panel. In addition, we will not be liable as a result of any decisions rendered by the Administrative Panel.

i. *Remedies:* The remedies available to a complainant pursuant to any proceeding before an Administrative Panel shall be limited to requiring the cancellation of your domain name or the transfer of your domain name registration to the complainant.

j. *Notification and Publication:* The provider shall notify us of any decision made by an Administrative Panel with respect to a domain you have registered with us. All decisions under this Policy will be published in full over the Internet, except when an Administrative Panel determines in an exceptional case to redact portions of its decision.

k. *Availability of Court Proceedings:* The mandatory administrative proceeding requirements set forth in Paragraph 4 shall not prevent either you or the complainant from submitting the dispute to a court of competent jurisdiction for independent resolution before such mandatory administrative proceeding is commenced or after such proceeding is concluded. If an Administrative Panel decides that your domain name registration should be cancelled or transferred, we will wait ten (10) business days (as observed in the location of our principal office) after we are informed by the applicable Provider of the Administrative Panel's decision before implementing that decision. We will then implement the decision unless we have received from you during that ten (10) business day period official documentation (such as a copy of a complaint, file-stamped by the clerk of the court) that you have commenced a lawsuit against the complainant in a jurisdiction to which the complainant has submitted under paragraph 3(b)(xiii) of the Rules of Procedure. (In general, that jurisdiction is either the location of our principal office or of your address as shown in Whois database. See Paragraphs 1 and 3(b)(xiii) of the Rules of Procedure for details). If we receive such documentation within the ten (10) business day period, we will not implement the Administrative Panel's decision, and we will take no further action, until we receive (i) evidence satisfactory to us of a resolution between the parties; (ii) evidence satisfactory to us that the lawsuit has been dismissed or withdrawn; or (iii) a copy of an order from such court dismissing your lawsuit or ordering that you do not have the right to continue to use your domain name."

court or arbitrator. The Registrar reserves the right to cancel any transfer of a domain name registration to another holder that is made in violation of this subparagraph.

The domain name holder may not transfer its domain name registration to another registrar during a pending administrative proceeding brought pursuant to Paragraph 4 or for a period of fifteen (15) business days (as observed in the location of our principal place of business) after such proceeding is concluded. The domain name holder may transfer administration of its domain name registration to another registrar during a pending court action or arbitration, provided that the domain name it had registered with the registrar shall continue to be subject to the proceedings commenced against the domain name holder in accordance with the terms of the Policy. In the event that the domain name holder transfers a domain name registration to the registrar during the pendency of a court action or arbitration, such dispute shall remain subject to the domain name dispute policy of the registrar from which the domain name registration was transferred.¹⁴⁰

The Policy is the base and the Rules formulated under it lays down the path which is to be followed while proceedings are to be conducted. The Rules formulated under the Uniform Domain Name Dispute Resolution Policy will be discussed in the next sub-heading.

¹³⁹ See *supra* n. 137.

Rules for the Uniform Domain Name Dispute Resolution Policy

The Uniform Domain Name Dispute Resolution Policy will act as a guide for all disputes with regard to the domain names, and the Administrative Proceedings for the resolution of disputes under the Policy shall be governed by these Rules and also the Supplemental Rules of the Provider administering the proceedings. The Rules deal with various issues such as accepted methods of *Communication*,¹⁴¹ requisites for a *Complaint*,¹⁴² *Notification of Complaint*,¹⁴³ *The Response*,¹⁴⁴ *Appointment of the Panel and Timing of Decision*,¹⁴⁵ *In-person hearings*,¹⁴⁶ *Panel Decisions*¹⁴⁷ and *Communication of Decisions to Parties*.¹⁴⁸

The Rules further provide under Section 18 that in the event of any legal proceedings initiated prior to or during an administrative proceeding in respect of a domain-name dispute that is the subject of the complaint, the Panel shall have the discretion to decide whether to suspend or terminate the administrative proceeding, or to proceed to a decision. In the event that a party initiates any legal proceedings during the

¹⁴¹ See Section 2 of the Rules for Uniform Domain Name Dispute Resolution Policy available at <http://www.icann.org/udrp/udrp-rules-24oct99.htm>

¹⁴² See *id* at Section 3. Under Section 3 (b) it has been provided that the complaint shall be submitted in hard copy and (except to the extent not available for annexes) in electronic form.

¹⁴³ See *supra* n. 141 at Section 4.

¹⁴⁴ See *supra* n. 141 at Section 5.

¹⁴⁵ See *supra* n. 141 at Section 6 which stipulates under sub clause (f) that once the entire panel is appointed, the provider shall notify the parties of the Panelists appointed and the date by which, absent exceptional circumstances, the Panel shall forward its decision on the complaint to the Provider.

¹⁴⁶ See *supra* n. 141 at Section 13 which provides that, "There shall be no personal hearings (including hearings by teleconference, videoconference, and web conference), unless the Panel determines, in its sole discretion and as an exceptional matter that such a hearing is necessary for deciding the complaint."

¹⁴⁷ See *supra* n. 141 at Section 15, which provides *inter alia* that in absence of exceptional circumstances, the Panel shall forward its decision on the complaint to the Provider within fourteen (14) days of its appointment pursuant to Paragraph 6 and the Panel's decision shall be in writing, provide reasons on which it is based and indicate the date and identify the names of the Panelist(s).

¹⁴⁸ See *supra* n. 141 at Section 16, which provides that within three calendar days after receiving the decision from the Panel, the Provider shall communicate the full text of the decision to each party,

pendency of an administrative proceeding in respect of a domain-name dispute that is the subject of the complaint, it shall promptly notify the Panel and the Provider.¹⁴⁹

Approved Providers for Uniform Domain Name Dispute Resolution Policy

Complaints under the policy may be submitted to any approved dispute-resolution service provider. Each provider follows the Rules for Uniform Domain Name Dispute Resolution Policy (UDRP) as well as its own supplemental rules. As of 1 December 1999 the approved provider¹⁵⁰ was the *World Intellectual Property Organization (WIPO)*.¹⁵¹ On 23 December 1999 the *National Arbitration Forum* was approved as an approved provider for dispute resolution service.¹⁵² *Disputes.org/eResolution Consortium* was approved as a dispute resolution service provider with effect from 1 January 2000.¹⁵³ On 15 May 2000, ICANN announced that the *CPR Institute for Dispute Resolution* (<http://www.cpradr.org>) has been designated as an approved provider for UDRP and it will begin accepting complaints from 22 May 2000. So, as of date there are four dispute resolution service providers approved by ICANN under the UDRP.

Implementation Schedule for Uniform Domain Name Dispute Resolution Policy

The Uniform Domain Name Dispute Resolution Policy was adopted on August 26, 1999. The Implementation documents were approved on October 24, 1999. From December 1, 1999 complaints could be submitted to dispute-resolution providers for

concerned Registrar and ICANN, and also publish the full decision and the date of its implementation on a publicly accessible web site unless the Panel determines not to publish the decision.

¹⁴⁹ See *supra* n. 141 at Section 18.

¹⁵⁰ See <http://www.icann.org/udrp/approved-providers.htm> for the list of approved providers for UDRP.

¹⁵¹ See <http://arbiter.wipo.int/domains/access/index.html>. See generally Francis Gurry, *The WIPO Arbitration Center and its services*, 5 AM. REV. INT'L ARB. 197(1994).

disputes involving domain names sponsored by registrars accredited as of November 4, 1999 (this does not include Network Solutions Inc., America Online and the NameIT Corporation). From January 3, 2000 Network Solutions Inc., America Online and the NameIT Corporation could submit complaints to dispute-resolution providers for disputes involving domain names sponsored.¹⁵⁴

C. Electronic Commerce

The available options for dispute resolution in Electronic Data Interchange (EDI) are generally found in the 'form contracts'. The 'Standard Electronic Data Interchange Agreement' of the British EDI Association contains a general choice of forum clause with the possibility of arbitration.¹⁵⁵ The Italian association EDIFORUM, provides in its EDI form contract that disputes are to be decided by arbitration under the rules of the International Chamber of Commerce in Paris, without providing further details the choice of law is left to the parties.¹⁵⁶ The form contract for a Canadian 'EDI Trading Partner Agreement' provides for arbitration before a single arbitrator, who is to be named by the EDI Council of Canada and must be an EDI expert.¹⁵⁷

The EDI contract of the American Bar Association allows the parties to conclude an arbitration clause by which claims could be settled in accordance with the commercial arbitration rules of the American Arbitration Association.¹⁵⁸ The European Model EDI

¹⁵³ See <http://www.disputes.org> and <http://www.eresolution.ca> respectively.

¹⁵⁴ See <http://www.icann.org/udrp/udrp-schedule.htm>

¹⁵⁵ Michael E. Schneider & Christopher Kuner, *Dispute Resolution in International Electronic Commerce*, 14:3 J. INT'L ARBITRATION 5, 18 (Sep. 1997).

¹⁵⁶ See *id.*

¹⁵⁷ See *supra* n. 155 at page 19.

¹⁵⁸ See *id.*

agreement and the EDI form contract of the UN Economic Commission for Europe (ECE) gives parties an option to include an arbitration clause.¹⁵⁹ It is clear from the above examples of EDI contracts that the parties have an option to choose arbitration in the context of Electronic Data Interchange. This could be a possibility in open network Electronic Commerce too if parties make an agreement to this effect.

Conclusion

As regards the domain name issues many options are available for dispute resolution. The ICANN agreements clearly provide the various possible solutions. Under the ICANN-NSI Registry Agreement, ICANN has been given the option to choose either NSI or any other registrar as the successor registry after the expiry of the present agreement. This may help to remove the monopoly that NSI was enjoying all along in registering domain names. Though NSI can be reconsidered for designation as the successor registry, the option given to ICANN will keep NSI at a position where it has to perform at its best.

The Uniform Domain Name Dispute Resolution Policy gives the parties a chance to go to court before the administrative proceedings have commenced or after such proceedings have concluded. It is most likely that the parties will take another before the courts after the administrative proceeding. It is submitted that this will lead to multiplicity of proceedings and defeat the very purpose of the administrative proceedings.

Most of the available options for dispute resolution have been covered in the present chapter. The next chapter would specifically deal with the legal issues that would arise if arbitration is chosen as a dispute resolution mechanism for Internet disputes.

CHAPTER – 4

Arbitration as a Dispute Resolution Mechanism for Disputes arising over Internet and in Electronic Commerce

This Chapter will focus on how arbitration could act as a dispute resolution mechanism for disputes arising over Internet and in Electronic Commerce. The possible kinds of disputes that may arise in this context have already been discussed in earlier chapters. Though this is not exhaustive it covers the commercial disputes that are in the forefront in the Internet World today. The following are the various legal issues that would arise if arbitration is chosen as a dispute resolution mechanism for these disputes.

A. Arbitrability of disputes arising over Internet

The question of arbitrability may arise with regard to disputes that involve Intellectual Property Rights such as issues relating to Trademark and Domain Names or Copyright issues. This part will deal with the Arbitrability of Intellectual Property disputes in general as the same would apply to Intellectual Property disputes arising over Internet. The International Chamber of Commerce (ICC) established a Working Party on Arbitration and Intellectual Property to review the problems that arise out of Intellectual Property disputes that are referred to arbitration, and the Working Party came out with a comprehensive report that was adopted on 28 October 1997.¹⁶⁰

¹⁶⁰ See the Final Report on Intellectual Property Disputes and Arbitration adopted by the ICC Commission on International Arbitration on 28 Oct. 1997 [Hereinafter ICC Final Report], 9:1 THE ICC INTERNATIONAL COURT OF ARBITRATION BULLETIN 37. Also see Jacques Werner, *Intellectual Property Disputes and Arbitration*, 1:5 J. WORLD INTELLECTUAL PROPERTY 841 (Sep. 1997).

The traditional obstacle to using arbitration to resolve Intellectual Property disputes was a fundamental concern as to arbitrability. This arose from the fact that some Intellectual Property Rights derive from legal protection granted on a national basis by the local sovereign power, which affords the beneficiaries certain exclusive rights to use and exploit the Intellectual Property in question. Disputes in this context could be resolved only by the authority which issued or granted the right or by another specifically appointed body under that system or, in certain situations where very specific questions of law arose, by the courts of that country. This had the effect that rights and entitlements to Intellectual Property, and the legal issues which flowed from those rights, could not usefully be referred to or considered by an arbitration tribunal.¹⁶¹ This is because, private persons, namely arbitrators, cannot decide on the validity of an Intellectual Property Right granted by the state. However, arbitrability will normally not be an issue when the matter is *inter partes* and does not relate to the validity of an Intellectual Property Right.

The types of agreements involved in Intellectual Property disputes may be agreements for Intellectual Property licenses, agreements for transfer of Intellectual Property and agreements in connection with which Intellectual Property is being developed.

¹⁶¹ See ICC Final Report, *id* at ¶ 1.5.

Arbitrability is a crucial issue in Intellectual Property disputes.¹⁶² It is particularly relevant to both the jurisdiction of the arbitrator and the enforcement of arbitral awards under the 1958 New York Convention. One of the conditions to be satisfied while enforcing an award under the New York Convention is that it should not be contrary to the public policy of the country in which the award is sought to be enforced (*see* Article V (2) (b) of the New York Convention). Public policy is difficult to define and is interpreted by different countries in different ways. The ICC Final Report says that the arbitrability of Intellectual Property disputes is a "public policy" question.¹⁶³ So, if arbitration of Intellectual Property disputes is against the public policy of a country, then enforcing an arbitral award arising out of such a dispute will not be possible in such countries.

The ICC Final Report made a thorough analysis of various national legislation with regard to arbitrability of Intellectual Property disputes and four different categories of countries were identified:

- those wholly denying arbitrability to Intellectual Property disputes;
- those qualifying arbitrability on public policy grounds;
- those granting full arbitrability;

¹⁶² For a detailed analysis of Arbitration and Intellectual Property *see* Julian D.M.Lew, *The Arbitration of Intellectual Property Disputes*, 5 THE AMERICAN REVIEW OF INTERNATIONAL ARBITRATION 110 (1994); Bryan Niblett, *The Arbitration of Intellectual Property Disputes*, 5 THE AMERICAN REVIEW OF INTERNATIONAL ARBITRATION 117 (1994); Marc Blessing, *Arbitrability of Intellectual Property Disputes*, 12:2 ARBITRATION INTERNATIONAL 191 (1996); M. Scott Donahey, *Enforcement of Injunctive Relief and Arbitration Awards Concerning Title to and Enforcement of Intellectual Property Rights in Asia and the Pacific Rim*, 19 HASTINGS INT'L & COMP. L. REV. 727 (1996); Christopher Gibson, *Arbitration of Intellectual Property Disputes*, http://www.pillsburylaw.com/publications/arbitration_ip_intl.html; Robert Goldscheider, *The use of reasonable royalties as the measure of damages in arbitration and other ADR proceedings that adjudicate Intellectual Property disputes*, 6:1 AM. REV. INT'L ARB. 45 (1995).

¹⁶³ *See* ICC Final Report, *supra* n. 160 at ¶ 4.11.

- those where the question remained uncertain and had not been addressed either in the legislation or by judicial authority.

The ICC Final Report distinguished between countries which took a restrictive approach, ie., those that denied arbitrability to Intellectual Property disputes (Latin America, South Korea, South Africa and Israel)¹⁶⁴ and countries which recognized party autonomy in national laws (Belgium, England, France, Germany, Ireland, Italy, Japan, Spain, Switzerland and United States).¹⁶⁵

Apart from the issue of arbitrability, the report also deals with interim measures of protection and enforceability of awards. Finally the working party gives its conclusions and recommendations suggesting arbitration as the most desirable method for settling disputes arising out of Intellectual Property transactions. It also suggests some clauses that could be added to arbitration agreements whereby parties agree to enforcement in certain terms (which are given in Appendix E of the report). This according to the working party would obviate the problems created by arbitrability.

Let us now examine some national legislation to get a better picture of the arbitration and Intellectual Property laws in those countries. The purpose of this survey is to examine the position of arbitrability of Intellectual Property disputes in some major jurisdictions.

¹⁶⁴ See ICC Final Report, *supra* n. 160 at ¶¶ 2.5 – 2.8.

¹⁶⁵ See ICC Final Report, *supra* n. 160 at ¶¶ 2.10 – 2.30.

Survey of Country Reports

The countries selected for this survey are jurisdictions in which many international arbitration take place.

England

“The UK Patents Act 1977 provides for Arbitration in certain circumstances. First, where an application for a compulsory patent licence under Sections 48 to 51 of the Act is opposed, the Comptroller General of Patents may order the proceedings, or any question or issue of fact arising in them, to be referred to an arbitrator under Section 52(3) of the Act. Moreover, the right of appeal to the patents court may be excluded by the agreement of the parties. Secondly, when a dispute arises under Section 58 of the Act (Crown use), the court may refer a part or the whole of the issue to Arbitration.”¹⁶⁶

In England it is well settled that disputes relating to real property may be arbitrated.¹⁶⁷ The same could be applied to Intellectual Property too though it is incorporeal property. Unlike real property, arbitrability of Intellectual Property is not automatic. If the arbitration is *inter partes* (effects between parties) and not *erga omnes* (effects towards third parties), then arbitrability will not be a hindrance to Intellectual Property disputes in England. Though in England arbitrability of Intellectual Property

¹⁶⁶ See ICC Final Report, *supra* n. 160 at ¶ 2.11.

¹⁶⁷ See *id* at ¶ 2.13. For an analysis of the English Arbitration Act see generally DAVID ST. JOHN SUTTON, JOHN KENDALL & JUDITH GILL, *RUSSELL ON ARBITRATION* (21st Ed. 1997); HAROLD CROWTER, *INTRODUCTION TO ARBITRATION* (1998).

unaffected. Sub-clause (1) of this section which provides that an arbitration agreement for other than property claims shall have legal effect to the extent that the parties are entitled to conclude a settlement of the matter in dispute, is one of the most important revisions in the law, since it extends the scope of arbitrability beyond that which existed under the old law. So, Intellectual Property Right claims could be interpreted as a property claim, though patents might not fall under this category as it does not flow from party autonomy. So, in cases involving patents, though an arbitration award could be made if the parties submit the matter to arbitration, the ultimate power to annul the patent lies with the patent court.¹⁷³

Switzerland

The law that governs International Arbitration in Switzerland is Chapter 12 of the Private International Law (PIL) Act of December 18, 1987. Article 177 of the Swiss PIL Act specifically deals with arbitrability. It provides that any dispute involving an economic interest may be the subject matter of arbitration. It further states that if a party to the arbitration agreement is a state or an enterprise or organization controlled by it, it cannot rely on its own law in order to contest its capacity to be a party to an arbitration or the arbitrability of a dispute covered by the arbitration agreement.¹⁷⁴ Arbitration in respect of Intellectual Property disputes has always been recognized in Switzerland. In 1975 the Federal office of Intellectual Property held that arbitral tribunals are empowered

¹⁷³ See Mark Blessing, *supra* n. 162 at 201.

¹⁷⁴ ANDREAS BUCHER & PIERRE-YVES TSCHANZ (Ed.), PRIVATE INTERNATIONAL LAW AND ARBITRATION: SWITZERLAND: BASIC DOCUMENTS, 41 (1996).

to decide on the validity of patents, trademarks and designs.¹⁷⁵ Awards with regard to validity of Intellectual Property Rights are recognized as the basis for entries in the register, provided they are accompanied by a certificate of enforceability issued by the Swiss court at the seat of the arbitral tribunal in accordance with Article 193 (2) of the PIL Act which provides that at the request of a party the court shall certify the enforceability of the award.¹⁷⁶ Therefore, all aspects of Intellectual Property Rights are arbitrable in Switzerland without any restriction. Switzerland is a leading example for arbitration of Intellectual Property disputes and probably in future many countries will follow the Swiss model.

Italy

In Italy, if the parties concerned in a dispute relating to Intellectual Property wish to submit it before an arbitration board, and if such submission is admissible, the parties have to take into consideration the specific rules on arbitration contained in Book IV, as amended by Law No. 25/1994.¹⁷⁷ Article 806 of the Italian Code of Civil Procedure (CPC) clearly defines the disputes which may be submitted to arbitration and expressly excludes individual labour disputes, disputes regarding social assistance and security, as well as those regarding the status or legal capacity of natural persons, separation between husband and wife and all matters that cannot form the object of settlement.¹⁷⁸ The last part namely 'all matters that cannot form the object of a settlement' is very much relevant

¹⁷⁵ Decision dated Dec. 15, 1975 published in the Swiss Review of Industrial Property and Copyright, 36-38 (1976), as cited in footnote 25 of Robert Briner, *The Arbitrability of Intellectual Property Disputes with particular emphasis on the situation in Switzerland*, 5 AM. REV. INT' L ARBITRATION 28, 38 (1994).

¹⁷⁶ See *id.*

¹⁷⁷ See Roberto Ceccon, *Arbitration and Intellectual Property in the Italian Legal System*, 13 J. INT' L ARBITRATION, 65, 68 (1996).

¹⁷⁸ *Id.*

to the present discussion. The test therefore is to see if an Intellectual Property dispute can be a matter that can form the object of a settlement. Obviously, patent issues cannot be subject matter of arbitration in Italy if this test is applied. Therefore only those issues which are not directly connected to the validity *in rem* of Intellectual Property Rights, could be arbitrable in Italy. Disputes involving Intellectual Property Rights which exist independent of any registration, like copyright could definitely be arbitrable in Italy. This could also apply to unfair competition rules against imitation of goods or against the disclosure of trade secrets or know how. In these cases, the arbitral tribunal does not have to decide on revocation of a title but has to examine whether the product or work at issue complies with the prerequisites for protection independently of any registration.¹⁷⁹ In such circumstances the arbitrability is broadly accepted on an international scale.

France

In France, Law No.78.742 of July 13, 1979, underscores that disputes relating to patents that may be resolved by arbitration, following the conditions laid down in Articles 2059 and 2060 of the French Civil Code.¹⁸⁰ Article 2059 of the Civil Code states that any person may submit to arbitration those rights to which he is fully entitled. Article 2060 of the Civil Code states that one may not submit to arbitration questions relating to the civil status and capacity of persons, or those relating to divorce or to judicial separation or disputes concerning public collectiveness and public establishments and more generally in all areas which concern public policy. Though arbitration could be a possibility for cases involving a patent or patent licences, an arbitrator may not declare a

¹⁷⁹ See Mark Blessing, *supra* n. 162 at 202.

French patent invalid. This is because it will be against the public policy of France. This squarely falls within the purview of Article 2060 of the Civil Code which *inter alia* provides that questions concerning public policy may not be referred to arbitration.¹⁸¹ The public policy referred to here in the context of patent is the power vested with the state or national courts to declare whether a patent is valid or not. The same principle would apply to cases involving registered trademarks.

The restrictions upon arbitrability imposed by Article 2060 have recently been given a liberal interpretation by the French courts. The Court of Appeal of Paris in *Société Labinal v. Sociétés Mors & Westland Aerospace* opined that arbitrators, at least in international matters, can apply the rules of public policy and also sanction violations of public policy in so far as these sanctions are not incompatible with the nature of arbitrator's powers. In the first instance, the Paris Commercial Court refused to stay the proceedings notwithstanding the arbitration clause contained in the joint venture agreement between the parties, on the theory that the rules of competition law are of public policy, and that only national courts can impose sanctions as a result of their violations. An appeal was preferred against this judgment to the Paris Court of Appeal. The court allowed the appeal and found that the dispute was arbitrable. It opined that in international arbitration, the arbitrators have jurisdiction to rule on the arbitrability of the dispute which is submitted to them, having regard to the notion of international public policy, and if they conclude that the dispute is arbitrable, they may apply any rules that

¹⁸¹ See *id.*

are relevant to the dispute, regardless of whether these are public policy rules.¹⁸² This case is useful for the proposition that even matters in the realm of public policy are arbitrable. Thus, arbitration of Intellectual Property disputes is a possibility in France with limited restrictions.

United States

The United States Congress has expressly provided for voluntary, binding arbitration of patent validity, enforceability and infringement issues [United States Code, Title 35: Patents, Section 294: Voluntary Arbitration (35 U.S.C. § 294)]. Congress has also provided for the voluntary, binding arbitration of “any aspect” of patent interference disputes [United States Code, Title 35: Patents, Section 135 (d): Interferences (35 U.S.C. § 135 (d))]. Thus, virtually all issues concerning patents can be subject to arbitration in the United States.¹⁸³

As regards copyright issues there is no prohibition for arbitration of copyright validity or infringement where such issues arise out of a contract dispute.¹⁸⁴ In *Kamakazi Music Corporation v. Robbins Music Corporation*,¹⁸⁵ Kamakazi Music sued Robbins Music, for infringing its copyright in the sheet music of pop star Barry Minilow. Robbins responded that it has licensed the copyright from Kamakazi, that there was no federal jurisdiction as Kamakazi’s suit was for breach of contract and, in the alternative, it sought

¹⁸² *Société Labinal v. Sociétés Mors & Westland Aerospace*, decision of the cour d’ Appel de paris of 19 May 1993 published in *Revue de l’ Arbitrage* 1993, N. 4 at 645, as cited in Robert Briner, *supra* n.175 at 41 & 43. Also see Antoine Kirry, *Arbitrability: Current Trends in Europe*, 12:4 ARBITRATION INT’L 373 at 376 (1996).

¹⁸³ David W. Plant, *Arbitrability of Intellectual Property issues in the United States*, 5 AM. REV. INT’ L ARBITRATION 11 (1994).

¹⁸⁴ See *id.*

arbitration as provided in the contract. Sweet, J., sent the case to arbitration. The arbitrator awarded Kamakazi an injunction, damages, and attorney's fees. The court confirmed the award. Robbins appealed and the US Court of Appeal held that as for the challenged award, the arbitrator exercised only the jurisdiction which Robbins pressed on him. This case clearly illustrates that copyright issues can be a subject matter of arbitration.

In trademark disputes arbitration seems to be a possibility, depending upon how generously the courts choose to interpret the arbitration agreement and related statutes. Assuming a broad arbitration clause is in effect at the time of dispute, trademark claims arising out of license agreements, rather than federal trademark statute, are likely to be arbitrable.¹⁸⁶ In *B. V. D. Licensing Corp. v. Maro Hosiery Corp.*,¹⁸⁷ a trademark owner claimed that its termination of the licensing agreement based on four alleged breaches warranted an action for trademark infringement and unfair competition. The district court, after determining that a valid arbitration agreement existed, found that the termination was within the scope of the agreement's arbitration clause which stated that all controversies arising under or in connection with or relating to any alleged breach of the agreement shall be settled by arbitration.¹⁸⁸ So, if the arbitration clause is broad enough to reflect the intention of the parties to settle any disputes that would arise in future by arbitration, then arbitrability of trademark disputes should not be a problem.

¹⁸⁵ 684 F. 2d 228 (1982).

¹⁸⁶ See David W. Plant, *supra* n. 183 at 17.

¹⁸⁷ 688 F. Supp. 961 (S.D.N.Y. 1988).

¹⁸⁸ See David W. Plant, *supra* n. 183 at 19.

There is no specific statutory provision relating to trade secrets. Formerly, the courts held that binding arbitration of trade-secret disputes was precluded by antitrust concerns. However, recent U.S. Supreme Court decisions endorsing the arbitrability of antitrust disputes have reversed this trend, and in *Aerojet-General Corp. v. Machine Tool Works*¹⁸⁹ the U.S. Court of Appeals for the Federal Circuit upheld the arbitrability of trade-secret disputes.

More generally, recent decisions concerning the arbitrability of issues under Federal antitrust and securities laws (such as *Mitsubishi Motors v. Soler Chrysler-Plymouth*¹⁹⁰ and *Shearson/American Express Inc. v. McMahon*¹⁹¹) are evidence of a trend in favour of the arbitrability of Intellectual Property issues. In view of this case law, it would appear unlikely that in the United States, decisions regarding Intellectual Property will hold public policy as sufficient justification to preclude arbitration of such disputes.”¹⁹²

Singapore

The limits of arbitrability argument have not been tested in Singapore, but, if the policy of ensuring the greatest opportunity to parties to proceed with an international arbitration is pursued in Singapore, then arbitrability should be given a generous

¹⁸⁹ 895 F. 2d 736 (1990).

¹⁹⁰ 473 U.S. 614 (1985).

¹⁹¹ 107 S. Ct 2332 (1987).

¹⁹² See Final Report, *supra* n. 160 at ¶¶ 2.28 – 2.30.

interpretation.¹⁹³ So, if the arbitrability question arises in the context of Intellectual Property disputes the courts may perhaps take a liberal view.

Conclusion

Intellectual Property related disputes might arise at various stages. It could concern contracts relating to Intellectual Property or it could be the result of an infringement. When the dispute is with regard to Intellectual Property related contracts, then arbitrability should not generally pose a problem. It is only in infringement cases that it may be a hurdle if a particular State does not accept arbitrability of Intellectual Property disputes due to the reason that an arbitral tribunal does not have the power to annul an Intellectual Property Right that has been granted by the State. There is a trend towards many countries accepting arbitration as a dispute resolution mechanism for Intellectual Property disputes and it is hoped that many more will follow suit.

It is necessary for parties who enter into agreements relating to Intellectual Property issues over the Internet to seek proper legal advice before they do so and if the parties choose arbitration as a dispute resolution mechanism they should first of all consider whether it could be a possibility and look at the national legislation which might apply to their transactions. If they find that arbitrability is not a problem then they can enter into an arbitration clause in the main contract itself or enter into an arbitration agreement when the dispute has arisen. ICC statistics show that in the six-year period from 1990 to 1995, 11.75% of arbitration cases filed at the ICC court contained a

¹⁹³ Locknie Hsu, *Enforcement of Arbitration Agreements under the International Arbitration Act 1994*, 7 SINGAPORE ACADEMY OF LAW JOURNAL, 269 at 286 (March 1995). For an analysis of Arbitration in

significant intellectual property aspect. Parties from 50 different nationalities were involved in these 199 cases, either as claimants or defendants.¹⁹⁴ The WIPO Arbitration and Mediation Center specifically caters to Intellectual Property arbitration and also other commercial arbitration. The next part would examine the arbitration agreement in relation to Internet disputes.

B. Arbitration Agreement

(i) Background

The agreement to arbitrate is the basis for arbitration of disputes involving Internet issues and Electronic Commerce. It serves to evidence the consent of the parties to submit to arbitration; and this consent is indispensable to a process of settling disputes which depends upon the agreement of the parties for its very existence.¹⁹⁵ “An arbitration clause in a contract relates to disputes that might arise between parties at some time in the future. It will generally be short and to the point. An arbitration agreement which is drawn to deal with disputes which have already arisen between the parties is generally known as a submission agreement.”¹⁹⁶

The UNCITRAL Model Law defines an arbitration agreement as follows:

“Article 7. Definition and form of arbitration agreement

(1) Arbitration agreement is an agreement by the parties to submit to arbitration all or certain disputes which have arisen or which may arise between them in respect of a

Singapore *see generally* Lawrence Boo, *Arbitration*, Vol. 2 HALSBURY'S LAWS OF SINGAPORE (1998).

¹⁹⁴ *See* ICC Final Report, *supra* n. 160 at ¶ 1.15.

¹⁹⁵ *See* REDFERN & HUNTER at 129.

¹⁹⁶ *See id.* at 4.

defined legal relationship, whether contractual or not. An arbitration agreement may be in the form of an arbitration clause in a contract or a separate agreement.

- (2) The arbitration agreement shall be in writing. An agreement is in writing if it is contained in a document signed by the parties or in an exchange of letters, telex, telegrams or other means of telecommunication which provide a record of the agreement, or in an exchange of statements of claim and defence in which the existence of an agreement is alleged by one party and not denied by another. The reference in a contract to a document containing an arbitration clause constitutes an arbitration agreement provided that the contract is in writing and the reference is such as to make that clause part of the contract.”¹⁹⁷

An analysis of arbitration agreements with regard to Intellectual Property disputes arising over the Internet and disputes arising in Electronic Commerce will now be discussed. The latest position with regard to disputes arising out of Internet Domain Names has already been discussed the previous Chapter. The focus in this Chapter would be on arbitration as a dispute resolution mechanism in this context and in the context of Copyright issues and Electronic Commerce.

(ii) ICANN – NSI Registry Agreement

The ICANN-NSI Registry Agreement¹⁹⁸ provides for an arbitration clause under Section 13 which states that disputes arising under or in connection with the agreement, including requests for specific performance, shall be resolved in a court of competent

¹⁹⁷ The text of the UNCITRAL Model Law can be found at <http://www.un.or.at/uncitral/en-index.htm>

jurisdiction or, at the election of both parties by an arbitration conducted as provided in this section pursuant to the Rules of the American Arbitration Association (AAA).

An examination of this clause sheds light on the fact that in the event of disputes parties have a choice either to litigate or at the election of both parties arbitrate. If arbitration was a condition precedent to litigation, then the *Scott v. Avery*¹⁹⁹ principle would apply but here the parties have an option to choose litigation and only when there is a consensus they can refer the matter to arbitration. Therefore, though there is an arbitration clause in the agreement between ICANN and NSI, it will apply only if they agree again to settle their disputes through arbitration. Hence, when they agree for arbitration it would become a fresh agreement to arbitrate though it is in the form of an arbitration clause in the main agreement.

The clause clearly says that the arbitration shall be conducted in English and shall occur in Los Angeles county, California, USA. It further provides that there shall be three arbitrators: each party to choose one arbitrator and, if the two arbitrators are not able to agree on a third arbitrator, the third shall be chosen by the AAA. The parties shall bear the costs of the arbitration in equal shares and bear their own attorney's fees. The arbitrators shall render their decision within ninety days of the initiation of arbitration. The clause also provides that for the purpose of aiding the arbitration and/or preserving the rights of the parties during the pendency of an arbitration, the parties shall have the

¹⁹⁸ The text of the ICANN-NSI Registry Agreement can be found at <http://www.icann.org/nsi/nsi-registry-agreement-04nov99.htm>

¹⁹⁹ 1843-60 All E. R. 1.

right to seek temporary or preliminary injunctive relief from the arbitration panel or a court located in Los Angeles, California, USA, which shall not be a waiver of the arbitration agreement.

Though the parties, namely ICANN and NSI, have the option to choose arbitration, once they choose it they have to adhere to the various conditions in the arbitration clause under Section 13 of the Registry Agreement between them.

(iii) ICANN's Uniform Domain Name Dispute Resolution Policy

ICANN's Uniform Domain Name Dispute Resolution Policy (UDRP) was approved on October 24, 1999.²⁰⁰ Paragraph 3 of the policy provides that ICANN would cancel, transfer or make changes to Domain Names on receipt of written instructions from the Domain Name holder or an order of court or arbitral tribunal or a decision from the Administrative Panel. All parties who register domain names through any of ICANN accredited registrars are bound to submit to the mandatory administrative proceeding if certain conditions are satisfied.

A complainant can resort to the Mandatory Administrative Proceeding²⁰¹ only when (a) the Domain Name holder's Domain Name is identical or confusingly similar to a trademark or service mark in which the complainant has rights and (b) the Domain Name holder has no rights or legitimate interest in respect of the Domain Name and (c)

²⁰⁰ See ICANN's Uniform Domain Name Dispute resolution Policy, available at <http://www.icann.org/udrp/udrp-policy-24oct99.htm>.

²⁰¹ See *id* at ¶ 4.

the Domain Name is registered and is being used in bad faith. In the Administrative Proceeding, the complainant must prove each of the three elements mentioned above. If a complaint is not based on all the three conditions stipulated in Paragraph 4 (a) of the UDRP, then the complainant cannot invoke the Mandatory Administrative Proceeding. So, the only option open to the complainant is litigation, any other method of dispute resolution or arbitration if both parties agree to it.

Let us take a case where a Domain Name holder holds a Domain Name in *bona fide* belief that the name does not belong to anybody and then comes to know that someone is aggrieved, then he might be ready to go for arbitration. In such circumstances, arbitration could be a very good method of dispute resolution as there is party autonomy. The parties can choose the place, rules or law for the arbitration. Moreover, it is clearly provided for under Paragraph 5 of the UDRP that all other disputes, between the Domain Name holder and any party other than ICANN, regarding the Domain Name registration that are not brought pursuant to the Mandatory Administrative Proceeding under Paragraph 4 shall be resolved between the Domain Name holder and such party through court, arbitration or other proceedings that may be available. So, parties could enter into an arbitration agreement for resolving their disputes. It is likely that parties may choose arbitration in such cases. This is because it is faster and the arbitral award can be enforced in many jurisdictions by virtue of the New York Convention. One more advantage of choosing arbitration is that parties can select arbitrators who are experts in the field of domain name issues.

There can be arbitration clauses in contracts for Electronic Commerce that may stipulate that if dispute arises the parties to the contract would resolve it through arbitration.

Either party in an Intellectual Property dispute over the Internet or in a dispute relating to Electronic Commerce could challenge an arbitration agreement. It should be noted that a challenge to the enforceability of an arbitration agreement could occur at more than one stage of the arbitral process, and on various grounds. The challenge may occur at the initial stage of the dispute, where one party seeks arbitration but the other resists it, challenging the validity of the arbitration agreement. In another example, one party may, despite the existence of an arbitration agreement, have commenced judicial proceedings, but the other party seeks a stay of these proceedings in favour of arbitration. The party in favour of judicial proceedings would invite the court to refuse a stay on the ground that the arbitration agreement is unenforceable.²⁰² If a party goes to court in this regard, then the court has the power to decide as to whether the arbitration agreement is valid and whether the matter is arbitrable. Let us take for example a country where Intellectual Property dispute is not arbitrable, then the court may say that arbitration is not the suitable remedy.²⁰³

(iv) Doctrine of Separability

A contract which contains an arbitration clause constitutes two separate contracts. The main or primary contract concerns the commercial obligations of the parties; the

²⁰² See Locknie Hsu, *supra* n. 193 at 270.

²⁰³ See *supra*, for a discussion of Arbitrability of Intellectual Property disputes and country reports.

secondary or collateral contract²⁰⁴ contains the obligation to resolve any dispute arising from the commercial obligations by arbitration.²⁰⁵ Even if the arbitration agreement forms part of the original contract between the parties and that contract comes to an end, the obligation to arbitrate survives. It is an independent obligation separable from the rest of the contract.²⁰⁶ In *Harbour Assurance Co. (UK) Ltd. v. Kansa General International Insurance Co. Ltd. & others*²⁰⁷ the English Court of Appeal held that an arbitration clause, in ordinary terms, was usually and had been held to be a self-contained contract. Therefore it is clear that irrespective of the validity of the main contract, an arbitration clause in the contract will survive as it is a separate contract altogether.

Now let us take the case of a contract related to Intellectual Property on the Internet or with regard to Electronic Commerce. There might be circumstances where the main contract is invalid in law. For example there could be an online contract for purchase of Video Compact Discs (VCD) and there could be an arbitration clause in such a contract. The subject matter of the purchase could *inter alia* be pornographic VCDs which might not be mentioned in the contract explicitly. In some jurisdictions sale of pornographic VCDs is illegal. However, in some jurisdictions, sale of softcore pornography is not illegal. For purpose of this example, let us assume that the main contract is entered into as per the law of a jurisdiction in which sale of pornographic VCDs is illegal. It is a basic principle of the Law of Contract that any agreement for illegal purposes is invalid in law. Hence the agreement between the parties in this

²⁰⁴ Per Lord Diplock in *Bremer Vulkan Schiffbau und Maschinenfabrik v. South India Shipping Corporation Ltd.* [1981] A.C. 909, 982.

²⁰⁵ See REDFERN & HUNTER at 175.

²⁰⁶ See *id* at 5.

example could be invalid in so far as it relates to sale of pornographic VCDs. A question arises as to whether this will affect the arbitration clause contained in the contract. Applying the doctrine of separability it can be inferred that the arbitration clause will be valid de hors the validity of the contract. Hence, parties can resort to arbitration for all disputes that arise out of legal purchases that were made under the contract.

C. Arbitration Tribunal

(i) Background

Arbitration for Internet disputes may either be ad-hoc or institutional. An ad-hoc arbitration usually takes place when the arbitration clause in the original contract provides for arbitration without designating any arbitral institution and without referring to any particular set of institutional rules. The rules to be followed are decided by the parties. The UNCITRAL Arbitration Rules are often chosen for ad-hoc arbitration. Transactions over the Internet are relatively new and it will take a while for parties to get accustomed to adding arbitration clauses to contracts in this context. Hence arbitration agreements after the dispute has arisen could be more common for Internet disputes.

An institutional arbitration is one that is administered by one of the many specialist arbitral institutions under its own rules of arbitration. There are many such institutions like the International Chamber of Commerce (ICC), the London Court of International Arbitration (LCIA), Singapore International Arbitration Centre (SIAC) etc.

²⁰⁷ [1993] 3 All E.R. 897 per C.A. Ralph Gibson, Legatt & Heffmann LJ.

The Rules of arbitral institutions are expressly formulated for the conduct of arbitration under their administration. Such arbitration usually arises under an institutional arbitration clause between the parties. The clause recommended by the ICC, for instance, states that, "All disputes arising out of or in connection with the present contract shall be finally settled under the Rules of Arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with the said Rules." Like other institutional clauses, this clause is a convenient short form method of incorporating into the agreement between the parties a detailed book of rules to govern any arbitration that may take place in future.²⁰⁸ This also forms the basis for an arbitral tribunal to be formed.

As regards Internet disputes and disputes relating to E-Commerce, institutional arbitration could be more advantageous as there are arbitral institutions which are having experts on their panel of arbitrators who are well versed with Internet issues. WIPO, for example provides arbitration services for Intellectual Property disputes and also other disputes. It will soon introduce online dispute resolution. This will be discussed in detail in Chapter 5 *infra*. ICC also deals with many arbitration that involve Intellectual Property issues and in future it may deal with arbitration involving Internet issues.

(ii) Constitution of the Arbitral Tribunal

A claimant in a dispute arising over Internet or E-Commerce cannot bring his case before an arbitral tribunal or seek any measures of relief or other directions until the

²⁰⁸ See REDFERN & HUNTER at 14. For an analysis of ICC Arbitration see generally W. LAURENCE CRAIG, WILLIAM W. PARK & JAN PAULSSON, INTERNATIONAL CHAMBER OF COMMERCE ARBITRATION (2nd ed.

arbitral tribunal itself has been established. For this reason, once a dispute has arisen an arbitral tribunal should generally be constituted without delay; the claim can always be withdrawn or made the subject of a consent award if a settlement is reached.²⁰⁹ In Internet disputes and in disputes relating to Electronic Commerce the parties can agree with regard to constitution of the arbitral tribunal. If it is an ad-hoc arbitration then the parties can mention the names of persons who are to be appointed as arbitrators and if the parties choose institutional arbitration they can decide on the arbitral institution and choose the arbitrators from the panel of arbitrators of the institution.

As the disputes deal mostly with issues relating to information technology it is necessary that the parties appoint persons who are specialists in information technology law as arbitrators. This is very important as not all arbitrators understand the intricacies of information technology. This does not mean that they have to be technical persons who write software programs but they must have had enough experience in dealing with Internet issues. For example they could be Professors who have done extensive research in the field of information technology law. Internet law is relatively new and experts in this field are fewer compared to other areas of law. There is an increase in the number of people who are researching on Internet law these days. There are many new law journals which specifically deal with Internet related legal issues. Research in this field is booming and it is hoped that soon there may be many experts from various countries in the field of Internet law on par with experts in other areas of law. This will enable parties to choose arbitrators with expertise in Internet law and also choose the persons who are

1990).

²⁰⁹ See REDFERN & HUNTER at 192.

familiar with the *lex arbitri* that is chosen by the parties. For example if the *lex arbitri* is Singapore law it is better for parties to choose experts who have a thorough grasp of both Internet law and Singapore law.

(iii) Number of Arbitrators

The UNCITRAL Model Law provides under Article 10 that the parties are free to determine the number of arbitrators and failing such determination, the number of arbitrators shall be three.²¹⁰ The International Arbitration Act of Singapore provides under Section 9 that notwithstanding Article 10 (2) of the Model Law, if the number of arbitrators is not determined by the parties, there shall be a single arbitrator.²¹¹ The Arbitration and Conciliation Act, 1996 of India provides under Section 10 that the parties are free to determine the number of arbitrators, provided that such number shall not be an even number. Failing such determination by the parties the arbitral tribunal shall consist of a sole arbitrator.²¹² The ICC Rules provide under Article 8 that the disputes shall be decided by a sole arbitrator or by three arbitrators. Where the parties have not agreed upon the number of arbitrators, the Court (ICC International Court of Arbitration) shall appoint a sole arbitrator, save where it appears to the Court that the dispute is such as to warrant the appointment of three arbitrators. In such case, the Claimant shall nominate an arbitrator within a period of 15 days from the receipt of the notification of the decision of the Court, and the Respondent shall nominate an arbitrator within a period of 15 days

²¹⁰ The text of the UNCITRAL Model Law can be found at <http://www.un.or.at/uncitral/en-index.htm>

²¹¹ Chapter 143A, The Statutes of the Republic of Singapore.

²¹² Arbitration and Conciliation Act, 1996 [Act 26 of 1996], Republic of India.

from the receipt of the notification of the nomination made by the claimant.²¹³ So, the parties are free to choose the number of arbitrators as they like but it has to be in conformity with the Act or Rules as the case may be.

In Internet related disputes parties can choose a sole arbitrator who is an expert in Internet law and in the *lex arbitri* chosen by the parties. If situation warrants and necessity is felt, the parties may appoint three arbitrators, provided the *lex arbitri* does not prohibit appointment of more than one arbitrator. They may appoint one person who is an expert in Internet related issues, another who is an expert in the *lex arbitri* chosen by them and the third could be an experienced arbitrator under the rules of the institution which they have chosen. However, it is to be noted that this may increase costs and the Internet is generally cost sensitive. Hence, the number of arbitrators has to be decided on a case to case basis depending upon the nature and complexity of the matter.

(iv) Jurisdiction of the Arbitral Tribunal

An arbitral tribunal constituted to decide Internet disputes should only determine the disputes that the parties have referred to it. The arbitral tribunal must not exceed its jurisdiction.

Rule of Competence de la Competence

The power of an arbitral tribunal to decide upon its own jurisdiction is an inherent power. However, the usual practice under modern international and institutional rules of

²¹³ See Article 8 of the Rules of Arbitration of the International Chamber of Commerce, in force as from January 1, 1998. See ICC Publication N° 581.

arbitration is to spell out in express terms the power of an arbitral tribunal to decide upon its own competence.²¹⁴ This Rule is known as *Competence/Competence*, in German it is known as *Kompetenz/Kompetenz* and in French it is known as *Competence de la Competence*.²¹⁵ The UNCITRAL Model law provides under Article 16 as follows:

“Article 16 – Competence of arbitral tribunal to rule on its own jurisdiction

- (1) The arbitral tribunal may rule on its own jurisdiction, including any objections with respect to the existence or validity of the arbitration agreement. For that purpose, an arbitration clause which forms part of a contract shall be treated as an agreement independent of the other terms of the contract. A decision by the arbitral tribunal that the contract is null and void shall not entail *ipso jure* the invalidity of the arbitration clause.
- (2) A plea that the arbitral tribunal does not have jurisdiction shall be raised not later than the submission of the statement of defence. A party is not precluded from raising such a plea by the fact that he has appointed, or participated in the appointment of, an arbitrator. A plea that the arbitral tribunal is exceeding the scope of its authority shall be raised as soon as the matter alleged to be beyond the scope of its authority is raised during the arbitral proceedings. The arbitral tribunal may, in either case, admit a later plea if it considers the delay justified.
- (3) The arbitral tribunal may rule on a plea referred to in paragraph (2) of this article either as a preliminary question or in an award on the merits. If the arbitral tribunal rules as a preliminary question that it has jurisdiction, any party may request, within

²¹⁴ See REDFERN & HUNTER at 276.

²¹⁵ For purposes of analogy see Article 36(6) of the Statute of the International Court of Justice which empowers the ICJ to determine its jurisdiction. The text of the Statute of the ICJ can be found at

thirty days after having received notice of that ruling, the court specified in Article 6 to decide the matter, which decision shall be subject to no appeal; while such a request is pending, the arbitral tribunal may continue the arbitral proceedings and make an award.”²¹⁶

This provision clearly highlights the powers of the arbitral tribunal to determine its own jurisdiction.

This concept of *competence de la competence* is very important in cases relating to Internet law as the arbitrators can look into the *lex arbitri* and decide whether they have jurisdiction to decide the matter before them. This is especially relevant in cases of Intellectual Property disputes over the Internet as arbitrability is a crucial question and different jurisdictions have different national legislation in this regard. The arbitrators in such cases should look into the aspect of jurisdiction when one of the parties challenges it before the arbitration tribunal or they can also do it *suo moto*. If the challenge before the arbitral tribunal is not successful, the parties can challenge the jurisdiction of the tribunal before the court.²¹⁷

D. Interim Measures of Protection

In arbitration proceedings relating to Intellectual Property disputes over Internet and in Electronic Commerce one main issue is the interim measures of protection. Some of the early cases involving interim measures of protection were dealt with in Chapter 2. Those cases mostly related to the relief of injunction. In Intellectual Property cases, the

²¹⁶ The text of the UNCITRAL Model Law can be found at <http://www.un.or.at/uncitral/en-index.htm>

²¹⁷ See REDFERN & HUNTER at 285.

relief generally prayed for is injunction or it could also be for seizure of goods that are in possession of the defendant. The same seems to apply for Intellectual Property disputes arising over the Internet. The main purpose of getting an interim order is to restrain the defendant from continuing the alleged infringement. The grant of an interlocutory injunction during the pendency of legal proceedings is a matter requiring the exercise of discretion by the court. While exercising the discretion the court applies the following tests: (i) whether the plaintiff has a *prima facie* case; (ii) whether the balance of convenience is in favour of the plaintiff; and (iii) whether the plaintiff would suffer an irreparable injury if his prayer for interlocutory injunction is disallowed.²¹⁸

Infringement over the Internet could spread like a forest fire and it is easier for the parties to discover the infringement. For example let us take a case of regular Intellectual Property infringement, say a copyright infringement by a person in New Delhi (India) of a book that was published by the author in Madras (India). It may take quite some time till the author in Madras realises this as he must come across the book published in New Delhi or he must hear about it from someone. If the infringement is cross border, that is, in a different nation then it is all the more difficult to discover it. But over the Internet it is easy for parties to find out new web sites by using search engines. Though it is easier to discover the infringement over the Internet it is also pertinent to note that the degree of people having access to it is many more times than in regular infringement and hence the loss suffered by the copyright or the trademark holder is multiplied. In E-Commerce related cases too there might be requirements for interim measures of protection.

²¹⁸ The tests laid down by the House of Lords in *American Cyanamid Co v Ethicon Ltd*, [1975] 1 ALL. E.R. 504. Also see the decision of the Supreme Court of India in *Gujarat Bottling Co. Ltd. & others v. Coca*

Now let us examine interim measures of protection in the context of arbitration if it is chosen as a dispute resolution mechanism by the parties in Internet related disputes. Is it faster and can it be in the swim to curtail infringement that spreads very fast over the Internet? For this it is worth looking at whether an arbitration tribunal has equal powers as the court to grant interim relief. Though the arbitration tribunal does not have all the powers like regular courts it has most of it and this can be found in various national legislation dealing with arbitration and also in the rules of leading arbitral institutions. It is pertinent to look into the provisions dealing with interim measures of protection in some national legislation and rules of arbitral institutions.

The UNCITRAL Model law provides that unless otherwise agreed by the parties, the arbitral tribunal may, at the discretion of a party, order any party to take such interim measure of protection as the arbitral tribunal may consider necessary in respect of the subject matter of the dispute. The arbitral tribunal may require any party to provide appropriate security in connection with such measure.²¹⁹ This has been followed in many national legislation. The Singapore International Arbitration Act provides that "Without prejudice to the powers set out in any other provisions of this Act and in the Model Law, an arbitral tribunal shall have powers to make orders or give directions to any party for...(g) an interim injunction or any other interim measure."²²⁰ The Indian Arbitration and Conciliation Act, 1996 follows exactly the Model Law in relation to interim measures by arbitral tribunal.²²¹ The Act also provides for interim measures by courts

Cola Co. & others, (1995) 5 SUPREME COURT CASES 545.

²¹⁹ Article 17 of the UNCITRAL Model Law.

²²⁰ Section 12 of the International Arbitration Act, Chapter 143A, Statutes of the Republic of Singapore.

²²¹ Section 17 of the Arbitration and Conciliation Act (Act 26 of 1996), Republic of India.

before or during arbitral proceedings or at any time after the making of the arbitral award but before a decree is passed in terms of the award.²²²

The English Arbitration Act, 1996 provides that the parties are free to agree that the tribunal shall have power to order on a provisional basis any relief which it would have power to grant in a final award and this included a provisional order for the payment of money or the disposition of property as between the parties, or an order to make an interim payment on account of the costs of the arbitration.²²³ This is termed in the Act as the power to make provisional awards.

The German Arbitration Act, 1997 follows exactly the Model Law in relation to interim measures of protection and adds that, upon request of a party, the court may allow the execution of an interim measure, unless a request has already been made to a court for a corresponding measure of interim relief. If an interim measure ordered, proves to have been unjustified from the outset, the party which had requested its enforcement is obliged to compensate the other party for damages resulting from the enforcement of such measure... This claim may be made pending arbitral proceedings.²²⁴

In Switzerland the arbitrator can issue interlocutory orders or injunction *pendente lite*. If a party does not willingly comply, the arbitrator may request the assistance of the competent state court that shall apply its own law. The arbitrators may order measures of

²²² See *id* at Section 9.

²²³ Section 39 of the English Arbitration Act, 1996. For an analysis of the provisions of this Act, see MARTIN HUNTER & TOBY LANDAU, *THE ENGLISH ARBITRATION ACT 1996: TEXT & NOTES* (1998).

a procedural nature (sealing offices, possible discovery) or measures aiming at safeguarding assets (freezing bank accounts, stopping a liquidation of the defendant corporation). Enforcing these measures abroad may require the assistance of the local courts.²²⁵

Let us now analyze some rules of arbitral institutions with regard to interim measures of protection. The ICC rules provide that “unless the parties have otherwise agreed, as soon as the file has been transmitted to it, the arbitral tribunal may, at the request of a party, order any interim or conservatory measure it deems appropriate. The arbitral tribunal may make the granting of any such measure subject to appropriate security being furnished by the requesting party. Any such measure shall take the form of an order, giving reasons, or of an award, as the arbitral tribunal considers appropriate. Before the file is transmitted to the arbitral tribunal and in appropriate circumstances even thereafter, the parties may apply to any competent judicial authority for interim or conservatory measures. The application of a party to a judicial authority for such measures or for the implementation of any such measures ordered by an arbitral tribunal shall not be deemed to be an infringement or a waiver of the arbitration agreement and shall not affect the relevant powers reserved to the arbitral tribunal. Any such application

²²⁴ Section 1041 of Code of Civil Procedure (ZPO), Tenth Book, Arbitral Procedure. For an analysis of the provisions of this Act, see MICHAEL BÜHLER, *THE GERMAN ARBITRATION ACT 1997: TEXT & NOTES* (1998).

²²⁵ See Chapter 12 of the Swiss Private International Law of December 18, 1987 that deals with International Arbitration. For an analysis of the Swiss position see Francois Dessemontet & Walter Stoffel, *Private International Law*, F.DESSEMONTET & T.ANSAY (Edited), INTRODUCTION TO SWISS LAW 294 (2nd Ed. 1995).

and any measures taken by the judicial authority must be notified without delay to the secretariat. The secretariat shall inform the arbitral tribunal thereof.”²²⁶

A question may arise as to whether arbitration rules are sufficient to confer power to arbitral tribunal to order interim measures. The International Arbitration Rules of the American Arbitration Association, the WIPO Arbitration Rules and the WIPO proposed Supplementary Emergency Interim Relief Rules discussed below are examples to enunciate the fact that arbitral tribunals have ample power to grant interim measures of protection.

The International Arbitration Rules of the American Arbitration Association provides that at the request of any party, the tribunal may take whatever interim measures it deems necessary including injunctive relief and measures for the protection or conservation of property. Such interim measures may be taken in the form of an interim award, and the tribunal may require security for the costs of such measures. A request for interim measures addressed by a party to a judicial authority shall not be deemed incompatible with the agreement to arbitrate or a waiver of the right to arbitrate. The tribunal may in its discretion apportion costs associated with applications for interim relief in any interim award or in the final award.²²⁷

²²⁶ Article 23 of the ICC Rules of Arbitration in force as from January 1, 1998.

²²⁷ See Section 21 of the International Arbitration Rules of the American Arbitration Association available at http://www.adr.org/rules/international_arb_rules.htm.

The WIPO Arbitration Rules provides that at the request of a party, the tribunal may issue any provisional orders or take other interim measures it deems necessary, including injunctions and measures for the conservation of goods which form part of the subject matter in dispute, such as an order for their deposit with a third person or for the sale of perishable goods. The tribunal may make the granting of such measures subject to appropriate security being furnished by the requesting party... Measures and orders contemplated under this Article may take the form of an interim award....²²⁸

The WIPO proposed Supplementary Emergency Interim Relief Rules is a welcome step to Interim measures of protection in International Commercial Arbitration. The rules provide that if the parties fail to agree as to which Emergency Arbitrator is to be appointed, then the WIPO Arbitration & Mediation Centre can appoint an Emergency Arbitrator from amongst members of a stand-by panel, within twenty-four hours of receipt of the request for relief.

The Emergency Arbitrator may convene *ex parte* hearings and pass *ex parte* awards, so long as he is satisfied that the other party has been given notice of the time, date and place of hearing adequate to enable it to be present, or in the case of *ex parte* measures, that such a hearing and an award are necessary in order to avoid irreparable harm being done to the rights of the parties pending a final determination of those rights in subsequent judicial or arbitral proceedings. In addition, the Emergency Arbitrator can convene a further hearing, after delivery of an *ex parte* award, to receive submissions

²²⁸ See Section 46 of the WIPO Arbitration Rules available at <http://arbiter.wipo.int/amc/arbitration-rules/complete.htm>.

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²²⁸ See Section 46 of the WIPO Arbitration Rules available at <http://arbitrator.wipo.int/amc/arbitration-rules/complete.htm>.

from an absent party. An *ex parte* award could therefore be reviewed at an *inter partes* hearing and, as a result be confirmed, modified or terminated.²²⁹

This procedure would facilitate, obtaining by a single procedure, interim relief across several jurisdictions, in appropriate cases, provided that the relevant jurisdictions recognize and will give effect to the power of arbitral tribunals to grant interim relief.²³⁰

The provisions in national legislation and also in rules of arbitral institutions discussed above clearly enunciate the fact that arbitral tribunals have ample power to grant interim measures of protection and also take court support wherever necessary. As arbitration is much faster and since interim measures can also be granted it is possibly the best alternative dispute resolution mechanism available to disputes arising over Internet and in Electronic Commerce.

E. Award and its Enforceability

The final stage of any arbitration proceeding is making of the award and its enforcement in a court of law. The New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards²³¹ facilitates enforcement of a foreign arbitral award in about 121 countries which are parties to the convention. This is a great advantage for disputes relating to the Internet and Electronic Commerce, as there is likelihood of many cross border disputes.

²²⁹ See ICC Final Report, *supra* n. 160 at ¶¶ A6.5 – A6.6.

²³⁰ See ICC Final Report, *supra* n. 160 at ¶ 3.14.

²³¹ 330 U.N.T.S. 38 (New York, June 10, 1958 and entered into force on June 7, 1959). See generally ALBERT JAN VAN DEN BERG, THE NEW YORK ARBITRATION CONVENTION OF 1958 (1981); H.E. Kofi

The New York Convention provides that recognition and enforcement of the award may be refused when the competent authority is provided with the proof that (a) parties to the agreement were under some incapacity, or (b) the party against whom the award is invoked was not given proper notice of the appointment of arbitrator and of the arbitration proceedings, or (c) the award is beyond the scope of the submission agreement, or (d) the composition of the arbitral authority or the arbitral procedure was not in accordance with the agreement of the parties, or (e) the award has not yet become binding on the parties or has been set aside or suspended by a competent authority of the country in which that award was made.²³² It further provides that recognition and enforcement of the award may be refused if the competent authority in the country where enforcement is sought finds that the subject-matter is not capable of settlement by arbitration under the law of the country, or the recognition and enforcement of the award would be contrary to the public policy of that country.²³³

The conditions mentioned under Article V(2) of the New York Convention namely subject matter of the difference incapable of settlement by arbitration and enforcement of award being contrary to public policy are very much relevant to the Intellectual Property disputes over the Internet. For example Intellectual Property disputes may not be arbitrable in a country in which an award is sought to be enforced. The award cannot be enforced in such countries. The different national approaches to the public policy question with regard to Intellectual Property disputes fall into the following

Annan, *The 1958 New York Convention as a Model for Subsequent Legislative Texts on Arbitration*, 15:3 ARB. INT'L 319 (1999).

²³² See *id* at Article V (1).

²³³ See *supra* n. 231 at Article V (2).

categories: (a) countries in which the arbitration of Intellectual Property disputes is not thought to conflict with public policy, so that arbitral awards would be enforced both *inter partes* and against third parties; (b) countries in which the arbitration of Intellectual Property disputes between the parties is not thought to conflict public policy, so that arbitral award would be enforced *inter partes* but not against third parties and (c) countries in which arbitration of Intellectual Property disputes is thought contrary to public policy with the result that arbitral awards would not be enforced.²³⁴ Hence, arbitral awards would be enforceable only if it is not against the public policy of the country in which it is sought to be enforced.

Internet and Electronic Commerce is considered as a very important aspect in the business world today and with the passage of time most countries would accept arbitration as a proper remedy for disputes arising in this area. This is because there are many countries which have acceded to the New York Convention on Recognition and Enforcement of Foreign Arbitral Awards, 1958. As of 3rd March 2000 there were 121 parties to the New York Convention²³⁵ and it is expected that many more countries will accede to this in the coming years. As the awards can be enforced in many countries by virtue of the New York Convention, parties would want to choose arbitration as a dispute resolution mechanism for Internet disputes.

²³⁴ See ICC Final Report, *supra* n. 160 at ¶ 4.12.

²³⁵ *Status of Conventions and Model Laws*, published by the International Trade Law Branch of the United Nations Office of Legal Affairs servicing the UNCITRAL. The details are available at <http://www.uncitral.org/english/status/status.pdf>.

The next problem is with regard to interim awards. Many national legislation and rules recognize interim awards,²³⁶ which proves that there is an emergence of a move towards recognition of interim awards by many countries. There are some countries in which interim awards cannot be enforced. In such jurisdictions the interim award would have effect as a contractual obligation, requiring enforcement on that basis through a court of law.

Conclusion

Arbitrability of Intellectual property disputes over the Internet could be a hurdle in some jurisdictions. The disputes could concern contracts relating to Intellectual Property over the Internet or it could be as a result of infringement. When the dispute is with regard to Intellectual Property related contracts then arbitrability should not generally pose a problem. It is only in infringement cases that it may be a hurdle if a particular jurisdiction does not accept arbitrability of Intellectual property disputes. There is a trend towards many countries accepting arbitration as a dispute resolution mechanism for Intellectual Property disputes and it is hoped that many more will adapt this policy.

The ICANN-NSI Registry Agreement contains an arbitration clause and ICANN's Uniform Domain Name Dispute Resolution Policy (UDRP) provides that disputes regarding domain name registration between the domain name holder and any other party other than ICANN that are not brought pursuant to the mandatory

²³⁶ See for example Article 32(1) of the UNCITRAL Arbitration Rules which provides that in addition to making a final award, the arbitral tribunal shall be entitled to make interim, interlocutory, or partial awards.

administrative proceeding shall be resolved by court, arbitration or other proceedings. This shows a trend towards organizations and persons involved with the Internet wanting to adopt arbitration in certain circumstances.

As regards the issue of whether an arbitration clause in a contract related to Internet will be valid even if the main contract is invalid, it is submitted that the doctrine of separability will apply to these kinds of arbitration too and hence the arbitration clause will be valid irrespective of the validity of main contract.

Institutional arbitration will be better for Internet related disputes at this point of time as there are some institutions which specifically cater to these kinds of disputes and they also have on their panel persons with expertise in Internet law. It is better for parties to appoint three arbitrators for Internet related arbitration as they can appoint an expert in Internet law as one of the arbitrators, a person well versed with the *lex arbitri* as the second one and the third could be an experienced arbitrator under the particular institutional rules under which the arbitration is to be conducted.

The arbitration tribunal can decide if it has jurisdiction in a particular case related to Internet law. This may be relevant especially in jurisdictions where there is a doubt as to whether Intellectual Property issues can be a subject matter of arbitration. The parties can challenge the jurisdiction before the arbitration tribunal itself. If the tribunal does not agree then they can challenge it in a court of law and the court will make the final decision.

Infringement over the Internet is much faster than regular infringement. Hence it is important that the arbitrators grant interim measures of protection. Arbitrators have ample powers to grant interim measures of protection. There are attempts like the WIPO proposed Supplementary Emergency Interim Relief Rules which provides for appointment of an Emergency Arbitrator within twenty four hours of receipt of the request for relief. This is a welcome step for interim measures of protection in international commercial arbitration and implementation of such rules could be very useful for Internet related disputes.

There is a likelihood of many cross border transactions over the Internet and hence parties may prefer to choose arbitration as the arbitral award can be enforced in almost 121 jurisdictions by virtue of the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards, 1958.

We have seen the various legal issues that would arise if arbitration was chosen as a dispute resolution mechanism for disputes arising over the Internet and in Electronic Commerce. As the disputes or transactions as the case may be, are themselves online it is necessary to look into whether the dispute resolution mechanism could also be online. The next chapter would deal with online arbitration and the legal issues arising therefrom.

CHAPTER - 5

Online Arbitration and the legal issues arising therefrom

A. Introduction

The issues arising out of the use of Internet have been analyzed earlier and an overview of how arbitration could act as a dispute resolution for those disputes was dealt with in Chapter 4. This Chapter would focus on online arbitration, not only for Internet disputes but also for other disputes. While the previous Chapter dealt with how arbitration could act as a dispute resolution mechanism for Internet disputes, this Chapter would deal with how Information Technology could be used to conduct arbitration for all kinds of disputes. When transactions are conducted online it will be pertinent to look at whether dispute resolution could also be conducted online. Online dispute resolution, especially online arbitration would be most helpful for disputes arising out of the use of Internet and also in Electronic Commerce. It could also be helpful for regular disputes in which parties choose arbitration as a dispute resolution mechanism.

It is hoped that very soon most arbitral institutions may adopt the use of Information Technology in conducting arbitration. Though it may not happen immediately it is sure that at least by the next five to ten years many arbitral institutions will provide online arbitration. There is telemedicine, there is online legal advice and the potential of the Internet is being used in all possible areas. The writer suggests that online arbitration may become a common way of alternative dispute resolution in the future. If arbitration is conducted online there are various legal issues that arise. Before

going into these issues it is important to look into the available options for online dispute resolution like the Virtual Magistrate Project, Online Ombuds Office, ClickNsettle, Cybersettle, WIPO Online Dispute Resolution Facility and eResolution.²³⁷ These will be dealt with in detail below.

(i) The Virtual Magistrate Project

The Virtual Magistrate (VMAG)²³⁸ is a free service that offers arbitration for rapid, interim resolution of disputes involving users of online systems and system operators who claim to be harmed by wrongful messages, postings and files. Arbitration services are available for computer networks across the world as long as the parties agree to participate.²³⁹ The Virtual Magistrate Project was developed at a meeting sponsored by the National Center for Automated Information Research (NCAIR)²⁴⁰ and the Cyberspace Law Institute (CLI)²⁴¹ on October 25, 1995. NCAIR took the responsibility of funding the project. NCAIR and the working group convened by CLI were responsible for administration of the project. When VMAG was started the Villanova

²³⁷ For an analysis of Online ADR mechanisms see M. Scott Donahey, *Dispute Resolution in Cyberspace*, 15:4 J. INT'L ARBITRATION 127 (Dec. 1998); M. Scott Donahey, *Current Developments in Online Dispute Resolution*, 16:4 J. INT'L ARBITRATION 115 (Dec. 1999).

²³⁸ For details of the Virtual Magistrate Project see <http://www.vmag.org>

²³⁹ See <http://www.vmag.org/docs/FAQ.html>

²⁴⁰ "NCAIR is a non-profit, educational corporation actively engaged in the study and application of technology to the legal and accounting professions since 1966. The purposes of NCAIR are to study modern methods of research and information retrieval, to educate the professions in these methods and to further the development and availability of these methods so that the practice of the professions may be conducted with the competence and skill which will enhance their usefulness to the public and promote the administration of justice." See *id.*

²⁴¹ "The Cyberspace Law Institute (CLI) studies and helps to develop new forms of law and law-making required by the growth of global communications networks and online communities. The CLI seeks to gather together under one (virtual) roof, leading thinkers on the legal issues emerging in this new environment of computer-mediated communications." See *supra* n. 239. More information about CLI can be found at <http://www.ll.georgetown.edu/lc/cli.html>.

Center for Information Law and Policy administered it. Currently, the Chicago-Kent College of Law runs the Virtual Magistrate Project.

The original groups of Magistrates were selected jointly by the American Arbitration Association (AAA)²⁴² and by a subcommittee of the fellows of the Cyberspace Law Institute.²⁴³ VMAG offers online dispute resolution, which may not amount to true online arbitration, as confidentiality of the decisions made by the Virtual Magistrates is not maintained. Most of the decisions are made public by posting on the web site. Though the Virtual Magistrate Project is not true online arbitration, it is important to look at it in detail, as it is one of the earliest online dispute resolution mechanisms to have been introduced.

Now, let us see how the proceedings take place under the Virtual Magistrate project. Those with complaints and those who are affected by complaints filed by others participate voluntarily. Magistrates are paid volunteers who offer their services in an attempt to resolve conflicts that arise on the Net. The VMAG has basic rules that act as a guide for the proceedings. The Virtual Magistrate Project attempts to receive and resolve complaints within 72 hours of acceptance. Complaints are submitted online on VMAG's home page. The complainant has to describe the cause of action and give his details, the details of any network or system operator whose actions or facilities are relevant to the complaint, any posted material that is relevant to the complaint and the objection to the activity in question and the reason for seeking relief.

²⁴² The American Arbitration Association's homepage can be found at <http://www.adr.org>.

²⁴³ See *supra* n. 239.

The Virtual Magistrate will consider complaints about online disputes over communications, property, tort and contract disputes. Examples include complaints about messages, postings, and files allegedly involving copyright or trademark infringement, misappropriation of trade secrets, defamation, fraud, deceptive trade practices, inappropriate materials, invasion of privacy and other wrongful content.²⁴⁴ The cases dealt with would be those involving financial obligations or compensation, so long as the issues in dispute arise from, or are directly related to, online activity or commerce. The 72 hours time period does not begin until all parties have agreed to participate. Once a complaint is accepted, the administrator will select an available Magistrate from the pool of qualified Magistrates. Once the Magistrate acknowledges receipt of complaint a listserv/newsgroup will be established for each case, and participants will be directed to post messages to the newsgroup. Messages posted will automatically be sent to all participants. Each decision will be posted to the Newsgroup so that all participants will receive a copy. The Magistrate will maintain a copy of all records, correspondence, evidence, and other materials relevant to the case. All materials will be forwarded at the completion of the case to the VMAG administrator at Chicago-Kent College of Law.

The Magistrates will attempt to reach a decision as quickly as possible or within 72 hours of acceptance of complaint. When necessary to maintain fairness the time limit may be extended by the Magistrates with or without the agreement of the parties. Parties will be notified of the decision by electronic mail. Decisions, complaints and supporting materials will be posted publicly unless otherwise ordered by the Magistrate. Any

²⁴⁴ See <http://www.vmag.org/docs/rules.html>

procedural matters that are not addressed in the rules of VMAG and in other Virtual Magistrate Project documents will be resolved in accordance with the American Arbitration Association's Commercial Arbitration Rules and general principles of fairness.²⁴⁵ The Chicago-Kent College of Law will maintain a public online repository of VMAG complaints, decisions and documents. It will also maintain electronic discussion groups for magistrates, participants and other interested parties.²⁴⁶ The Virtual Magistrate does not have the means or authority to enforce its own rulings. There is no provision for appeal from the decision of the Virtual Magistrate. Arbitration decisions are traditionally recognised by courts, and the parties to a VMAG arbitration program proceeding may be able to enforce the decisions.²⁴⁷ But as the proceeding are not strictly like an arbitration doubt arises as to whether the courts will recognise the decision as an arbitration award. However, if one party defaults in performing its obligations, the other party will be able to enforce the decision on contractual law principles as the parties have agreed for a binding decision by the Virtual Magistrate.

(ii) The Online Ombuds Office

The Online Ombuds Office²⁴⁸ provides mediation as a dispute resolution mechanism for disputes arising out of online activity. The Online Ombuds Office was established in June 1996 with a grant from the National Center for Automated Information Research (NCAIR).²⁴⁹ In July 1997 the Hewlett Foundation provided an award to establish the Center for Information Technology and Disputes Resolution at the

²⁴⁵ See *id.*

²⁴⁶ <http://webboard.kentlaw.edu:8080/~VMAG>

²⁴⁷ See *supra* n. 239.

²⁴⁸ Details of the Online Ombuds Office can be found at its homepage at <http://www.ombuds.org>

University of Massachusetts. The Online Ombuds Office is the dispute resolution arm of this center.²⁵⁰ The Online Ombuds office is one of the main projects of the Center for Information Technology and Dispute Resolution.

The purpose of this project is to assist individuals and organizations who are involved in disputes. These disputes are the ones that arise out of online activities but the resources available are available for non-online disputes as well. Moreover, there are no fees for using the Online Ombuds Office.²⁵¹ In March 1999, Online Ombuds Office worked with the online auction sites eBay and Up4Sale to mediate disputes arising out of online auctions. It also deals with mediations for domain name disputes and the recent successful domain name mediation that the Online Ombuds dealt with involved the site Netique.com. The Online Ombuds Office is also working with the World Organization of Webmasters to resolve disputes involving webmasters.²⁵² The service offered is like regular mediation and hence it cannot be enforced but it may be binding on the parties based on contractual law principles if they have agreed for a settlement.

(iii) ClickNSettle

ClickNSettle.com is a subsidiary of NAM (National Arbitration and Mediation) Corporation,²⁵³ a national provider in the United States of arbitration and mediation services and electronic case management software. Over 10,000 cases are handled by NAM Corporation annually involving many areas of law like Personal Injury, Contracts,

²⁴⁹ See *supra* n. 240.

²⁵⁰ <http://aaron.sbs.umass.edu/center/ombuds/default.htm>

²⁵¹ <http://aaron.sbs.umass.edu/center/projects.html>

²⁵² See *supra* n. 250.

Construction issues, Medical Malpractice, Commercial/General Liability, Employment Practices, Environmental conflicts etc.²⁵⁴ A new jewel in the crown of NAM Corporation is the emergence of ClickNSettle.com. In addition to ClickNSettle.com NAM offers services such as arbitration, mediation, ADR training and seminars, Desktop Videoconferencing, Structured Settlements, Private/Mock Jury Trials and NAMSYS²⁵⁵ case management system.²⁵⁶ NAM Corporation is traded on the NASDAQ under the symbol NAMC.²⁵⁷

Participants in ClickNSettle.com submit confidential demands and settlement offers to the administrators for monetary disputes. ClickNSettle.com is an interactive dispute resolution web site on the Internet. When one accesses the homepage of ClickNSettle.com with an intention to submit to the dispute resolution policy the 'User Agreement' should be accepted. This agreement describes the terms and conditions applicable to the use of the dispute resolution mechanism in ClickNSettle.com. Each case submitted for negotiation on ClickNSettle.com will be subject to a 60 days negotiation period. The negotiation period shall commence on the date the submitting party enters their initial bid. If the case does not settle during the negotiation period, it will be deemed to have expired and no further electronic offers or demands will be accepted from either party. In order to continue negotiating on an expired case, one of

²⁵³ The homepage of NAM Corporation can be found at <http://www.namadr.com>

²⁵⁴ <http://www.clicknsettle.com/aboutus.cfm>

²⁵⁵ A software program that features networking, reporting and analysis capabilities, whose utilization over time can result in significant cost savings. *See id.*

²⁵⁶ *See supra* n. 254.

²⁵⁷ <http://www.namadr.com/namadr/namaboutus.cfm>

the parties must re-submit the case to ClickNSettle.com and a fresh 60 days negotiation period will commence.²⁵⁸

The claimant will enter its demand and the defendant will enter the settlement offer. ClickNSettle.com will notify the opposing party that an offer or demand has been entered by the submitting party. The opposing party will be invited to respond to the initial offer or demand. Each time a party enters an offer or demand, the other party will be notified by email. However, the system will not disclose the amount of the offers or demands entered by either party to their adversary. A party may enter multiple offers or demands before the opposing party responds. However, a defendant must increase each settlement offer by a minimum of 5% of the prior offer. The claimant must lower each demand by a minimum of 5% of the prior demand.²⁵⁹

If at any time the claimant's demand is less than the defendant's last offer, the case will settle for the amount of the claimant's demand. If at any time the claimant's demand is within 30% of defendant's last offer (regardless of which party enters the last offer or demand), the case settles for the midpoint between the two amounts. If the claimant's demand is more than 30% higher than the defendant's last offer, the case will not settle and will remain active until the termination date.²⁶⁰

If the parties reach a settlement then the claimant has to furnish the defendant with a release and upon receipt of the closing documents the defendant has to issue a

²⁵⁸ See ¶ 9 of the 'User Agreement' at <http://www.clicknsettle.com/useragreement.cfm>

²⁵⁹ See ¶ 10 of the "User Agreement". See *id.*

settlement draft to the claimant within 30 days. Any settlement between the parties shall constitute a bar to any further claim or cause of action arising out of the facts and circumstances of the subject case.²⁶¹

The submitting party shall pay US \$15/- submission fee to enter a case into the system. For each offer or demand entered during the first 20 days of the Negotiation period each party pays \$10/- per offer or demand. For each offer made or demand entered during the next 20 days of the Negotiation period, each party pays \$15/- per offer or demand. For each offer or demand entered during the last 20 days of the Negotiation period, each party pays \$20/- per offer or demand. If the case settles for less than \$10,000 each party pays a \$100 settlement fee. If the case settles for \$10,000 or more, each party pays a \$200 settlement fee.²⁶² The laws of the State of New York would govern the User Agreement. On assessment, the writer suggests that ClickNSettle.com is more of a matching of bids rather than true online arbitration or mediation.

(iv) Cybersettle.com

Cybersettle.com²⁶³ is the first independent online claim resolution system. It is the first company to offer an online computer assisted method for settling insurance claims.²⁶⁴

²⁶⁰ See ¶ 11 of the "User Agreement". See *supra* n. 258.

²⁶¹ See ¶ 12 of the "User Agreement". See *supra* n. 258.

²⁶² See ¶ 13 of the "User Agreement". See *supra* n. 258.

²⁶³ The details of Cybersettle.com can be found at its homepage at <http://www.cybersettle.com>

²⁶⁴ See <http://www.cybersettle.com/about/main.htm>

It gives its users the power to negotiate settlements with unprecedented speed and total confidentiality.²⁶⁵ Its primary users are insurance companies and some current users are AIG, Travelers' Insurance and Fireman's Fund Insurance Company. Cybersettle is also undertaking a project in California in the area of workmen's compensation.²⁶⁶

Offers and demands are completely confidential and only when settlement occurs the settlement amount is revealed. If there is no settlement then the parties can resort to litigation.²⁶⁷ "The program is initiated by either the subscriber or the claimant entering an assigned password designed to insure privacy and prevent unauthorized access. The initiating party then enters three figures constituting offers or demands in differing amounts. The other party is then notified that the case is online and available for settlement. The other party also enters three amounts. The amounts entered are automatically compared, starting with the highest demand and the lowest offer. If on comparing any of the three pairs of figures the offer and demand are within 3% or US\$5000 of each other, the claim is settled for the median amount, and notification of the settlement is sent to the parties."²⁶⁸ Cybersettle.com offers a 24-hour, 7-day a week access²⁶⁹ and hence it is available any time.

(v) WIPO Online Dispute Resolution

The World Intellectual Property Organization's (WIPO) Arbitration and Mediation Centre has developed and will soon introduce an online dispute resolution

²⁶⁵ See *id.*

²⁶⁶ M. Scott Donahey, *Current Developments in Online Dispute Resolution*, see *supra* n. 237 at 116.

²⁶⁷ See *supra* n. 264.

²⁶⁸ See *supra* n. 266.

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²⁶⁷ See *supra* n. 264.

²⁶⁸ See *supra* n. 266.

facility specifically designed to facilitate the efficient administration and resolution of disputes arising out of the registration and use of an Internet domain name. This new facility is in addition to the online dispute resolution facility that will be made available for use in connection with other dispute resolution procedures administered by the centre, such as the arbitration of other types of intellectual property disputes. WIPO has come out with Supplemental Rules for Uniform Domain Name Dispute Resolution Policy which are to be read and used in connection with the Rules for Uniform Domain Name Dispute Resolution Policy, approved by the ICANN.²⁷⁰

Apart from domain name disputes WIPO also proposes to introduce online dispute resolution for other kinds of disputes. It is expected that the WIPO Expedited Arbitration Rules would be applied to online arbitration that would be administered by WIPO.²⁷¹ M. Scott Donahey mentions this in his articles²⁷² and discusses in detail various provisions of the WIPO Expedited Arbitration Rules. WIPO has done a stupendous task by playing a very important role in the development of a dispute resolution service for the domain name system. This is evident from the quick and effective way in which the WIPO Internet Domain Name Process was conducted to facilitate the transmission of the Final Report of recommendations to ICANN.²⁷³ It is

²⁶⁹ <http://www.cybersettle.com/flash.htm>

²⁷⁰ For the text of WIPO Supplemental Rules see <http://arbiter.wipo.int/domains/rules/supplemental.html>

²⁷¹ The WIPO Expedited Arbitration Rules can be found at <http://arbiter.wipo.int/arbitration/expedited-rules/rules.html>. See Jan Paulsson, *The WIPO Expedited Arbitration Rules: Fast-Track Arbitration I*, 6:11 WORLD ARBITRATION & MEDIATION REP. 255 (Nov. 1995); Albert Jan van den Berg, *The WIPO Expedited Arbitration Rules: Fast-Track Arbitration II*, 6:11 WORLD ARBITRATION & MEDIATION REP. 258 (Nov. 1995).

²⁷² See *supra* n. 237. I would like to express my sincere thanks to Mr. Scott Donahey for responding to my email in which he clarified that there is a likelihood of the WIPO Expedited Rules being used for the proposed online arbitration service to be introduced by WIPO.

²⁷³ For a detailed discussion of the WIPO Domain Name Process see *supra* Chapter 3.

but fit that WIPO was approved as the first dispute-resolution service provider under ICANN's Uniform Domain Name Dispute Resolution Policy (UDRP).²⁷⁴

Under the Uniform Domain Name Dispute Resolution Policy 260 cases have been filed with WIPO as of 7th April 2000.²⁷⁵ Out of these cases 62 cases have been decided,²⁷⁶ 186 cases are pending,²⁷⁷ and the other cases have either been withdrawn or settled between parties. WIPO was approved as a dispute resolution provider under the UDRP on 1st December 1999. In 1999 only one case relating to 'worldwrestlingfederation.com' was filed. In the year 2000, till 7th April, 259 cases have been filed.

The docket of WIPO under the UDRP is expanding everyday. It can well be imagined how many more such cases would be filed in the near future. Within about four months of its inception as a dispute resolution provider WIPO has been entrusted with so many cases. This could be mainly attributed to its stature as an International Organisation with many countries as its members and also its involvement in the Domain Name Process.

(vi) eResolution

eResolution²⁷⁸ has developed a technology that facilitates online dispute resolution and it also manages an international network of mediators and arbitrators.²⁷⁹ The project is dedicated to helping individuals and companies around the world to

²⁷⁴ See <http://www.icann.org/udrp/approved-providers.htm>

²⁷⁵ See <http://arbiter.wipo.int/domains/cases/all.html>

²⁷⁶ See <http://arbiter.wipo.int/domains/decisions/index.html>

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²⁷⁷ See <http://arbiter.wipo.int/domains/pending/index.html>

resolve conflicts involving the Internet. The goal of eResolution is to *inter-alia* provide a dispute resolution solution that is easy for Internet consumers and one which inspires trust in E-Commerce.²⁸⁰ Along with Disputes.org, eResolution provides arbitration service for domain name disputes. The eResolution project is the brainchild of Professor Karim Benyekhlef, Faculty of Law, University of Montreal, Canada. He was directing the Cybertribunal project (an experimental project proposing online mediation and arbitration services for disputes arising on the Internet) since 1997. The Cybertribunal project ended in December 1999.²⁸¹ The current project, eResolution, is a service that offers full-fledged online arbitration service.

Disputes.org was formed during the summer of 1999.²⁸² This project was developed by Professor Ethan Katsh, University of Massachusetts at Amherst who is also the Co-director of the Center for Information Technology and Dispute Resolution. He is involved with the Online Ombuds Office project, served as one of the Magistrates in the Virtual Magistrate Project and was a member of ICANN's Independent Review Advisory Committee.²⁸³ Together with eResolution, Disputes.org has formed what is called as Disputes.org/eResolution Consortium, which was accredited by ICANN on 1 January 2000 as a dispute resolution provider for domain name disputes.²⁸⁴

²⁷⁸ Details of the eResolution project can be found at its homepage at <http://www.eresolution.ca>

²⁷⁹ <http://www.eresolution.ca/company/company.htm>

²⁸⁰ See *id.*

²⁸¹ See Cybertribunal's homepage at <http://www.cybertribunal.org>, which at present just has the information that the Cybertribunal project has ended and Professor Karim Benyekhlef is now working on the eResolution project.

²⁸² For details regarding the Disputes.org project see its homepage at <http://www.disputes.org>.

²⁸³ <http://www.disputes.org/biol.html>

²⁸⁴ See <http://www.disputes.org>. Also see <http://www.icann.org/udrp/approved-providers.htm>.

eResolution has its supplemental rules²⁸⁵ for the conduct of administrative proceedings under ICANN's Uniform Domain Name Dispute Resolution Policy (UDRP). Apart from Disputes.org/eResolution Consortium there are three other approved providers for administrative proceedings under ICANN's UDRP namely World Intellectual Property Organization (the first approved provider), the National Arbitration Forum and the CPR Institute for Dispute Resolution, but eResolution is the only one to offer full online arbitration service. eResolution handles full adversarial proceedings online from the initial complaint filing stage to the arbitration decisions. eResolution plays the role of clerk of the court, registers complaints, handles the evidence, transmits case dockets to the decision makers, and communicates the decision to the parties involved.²⁸⁶ The persons hearing and deciding upon the disputes are all internationally recognized specialists in Intellectual Property and IT laws. eResolution aims at settling all disputes within 60 days of its filing.²⁸⁷ The basic fees for opening a file with eResolution services are set at US\$750. eResolution offers online dispute resolution services with respect to domain names and also for other Internet related disputes.²⁸⁸

eResolution offers online mediation and arbitration services between businesses and other businesses and between businesses and consumers. Once eResolution's solution is adopted, any party can go to them through their secure web-based system to initiate mediation or arbitration proceedings. When a proceeding is initiated, the respondent is notified and may file a response using the same secure web-based system.

²⁸⁵ See http://www.eresolution.ca/services/dnd/p_r/supprules.htm

²⁸⁶ See http://www.eresolution.ca/pr/03_01_00_1.htm

²⁸⁷ See *id.*

In the case of arbitration proceedings, the file is transferred to an arbitrator with market-specific expertise who conducts the proceedings through eResolution's case management platform and may use such tools as real-time chat rooms, telephone conferences and videoconferences. The arbitrator then issues a final decision which eResolution notifies to the parties. eResolution's "Profile" says that it can deliver a binding decision that is recognised throughout the world and it is the only organization to administer international arbitration cases entirely online in a secure environment.²⁸⁹ When proposing or selecting arbitrators, eResolution draws on a large pool of highly qualified experts from every continent and every legal tradition. eResolution is supported by an advisory board made up of world leading authorities in information technology and dispute resolution.²⁹⁰ eResolution has been selected by a number of key players in the internet space to establish custom-made dispute resolution systems and is negotiating partnership agreements with a number of other players.²⁹¹ eResolution is rising as a leader in providing online arbitration and mediation services.

²⁸⁸ Though eResolution began as a service provider for the administrative proceedings under ICANN's UDRP, eResolution's web site uses the term 'arbitration services' as the project has now started providing arbitration services for e-business disputes.

²⁸⁹ The information stated here is based on the "Profile" of eResolution that was sent to me on request, by its Director of Communications. I wish to express my sincere thanks to eResolution for the information provided.

²⁹⁰ See *id.*

²⁹¹ AddTrust, Europe's first global provider of complete trust services has adopted eResolution as its exclusive dispute resolution provider. eResolution is a partner in European Consumer Dispute Resolution (ECODIR), an experimental project put together by the European Commission to explore the future of online dispute resolution for consumer transactions taking place over the Internet. eResolution entered into a cooperation agreement with the Lima Chamber of Commerce (which runs one of the most successful arbitration services in Latin America) to share expertise as well as mediators and arbitrators. eResolution

Assessment

The various options for online dispute resolution have been described above. The following is an assessment of those options. As regards the Virtual Magistrate Project, the main advantage is that the resolution of disputes is very quick, that is within 72 hours of the filing of complaint in most cases unless more time is required in the interests of justice. Another advantage is that it is free of cost. However, unlike regular arbitration, the confidentiality of the outcome of the cases is not maintained. Hence this is not true online arbitration. It is only online dispute resolution. The Online Ombuds Office might be very useful for people who want to solve their disputes through mediation. Moreover, this is totally free of cost and parties will not lose anything by trying to resolve their disputes through this service.

It can be seen in ClickNSettle.com that the fees are comparatively very much lower than the usual amounts spent in litigation. Moreover, confidentiality is maintained and the demands and offers made are not disclosed to the other party till a settlement is reached. ClickNSettle.com is more of a matching of bids rather than true online arbitration or mediation. The claim resolution system under Cybersettle.com is very useful for insurance companies as they spend very little time for this. As there is confidentiality no party can take undue advantage if they choose to go to court if a settlement is not reached under Cybersettle.com.

WIPO's proposed online dispute resolution could be used both for the UDRP as well as for regular arbitration for Intellectual Property disputes and other disputes. The advantage of the WIPO system is that it is an international organization with many countries as its members and all policy decisions generally reflect the opinion of various countries which are its members. Adoption of the WIPO online dispute resolution might be advantages for people from countries which are members of WIPO as it might give an uniformity of approach to dispute resolution in those countries in relation to Internet disputes. It could also be of help to people from countries that are not members of WIPO.

eResolution is the only dispute resolution provider to offer full online arbitration. The writer predicts that eResolution will be a pioneer in providing full-fledged online arbitration not only for domain name disputes but also for other kinds of e-business disputes.

The above discussion gives a clear picture of the various options available for online dispute resolution. Most of the online ADR models discussed above differ from true online arbitration, but these are precursors to online arbitration. Hence, they will be instructive and useful for online arbitration. The writer believes that online ADR models will affect the shaping of online arbitration. Now, we will turn to the legal issues that would arise if arbitration were conducted online.

B. Choice of law

Choice of law, also known as 'applicable law' is a very important aspect when it comes to formation of contracts and also during dispute resolution. English law, until recently, applied the 'proper law of contract'. The doctrine of proper law was of common law origin and its key features were as follows. The parties could choose the proper law, with very little restriction on this right. If the parties did not express the choice an objective test was applied. This sought to localise the contract by looking for the system of law with which the transaction was most closely connected. The twin theories underlying the proper law were therefore the subjective theory, which looked to the intention of the parties, and the objective theory, which sought to localise the contract.²⁹² In England, choice of law in contract is now governed by the Contracts (Applicable Law) Act 1990, which implements the Rome Convention on the law applicable to contractual obligations of 1980.²⁹³ Let us now turn our attention to choice of law issues in international arbitration.

In the case of international arbitration, it is important to distinguish four separate choice of law issues viz., (a) the substantive law governing the merits of the parties' contract and other claims (b) the substantive law governing the parties' arbitration agreement (c) the law applicable to the arbitration proceedings (often called the "curial law" or the "*lex arbitri*") and (d) the conflict of law rules applicable to select each of the

²⁹² P.M. NORTH & J.J. FAWCETT, CHESHIRE AND NORTH'S PRIVATE INTERNATIONAL LAW, 458 (12th ed. 1992).

²⁹³ See *id* at 459. Also see A.F.M. Maniruzzaman, *Choice of law in International Contracts: Some Fundamental Conflict of Law Issues*, 16:4 J. INT'L ARBITRATION 141, 142 (December 1999).

foregoing laws.²⁹⁴ In international commercial arbitration the arbitrators, in the absence of express choice of law by parties, choose a proper law for the parties. The same twin tests namely objective and subjective tests are applied by the arbitrators.²⁹⁵ It is believed that more difficult choice of law questions can arise in international arbitration than in international litigation.²⁹⁶

The UNCITRAL Model law on international commercial arbitration provides that the arbitral tribunal shall decide the dispute in accordance with such rules of law as are chosen by the parties as applicable to the substance of the dispute. Any designation of the law or legal system of a given state shall be construed, unless otherwise expressed, as directly referring to the substantive law of that state and not its conflict of law rules.²⁹⁷ Failing any such designation by parties, the arbitral tribunal shall apply the law determined by the conflict of law rules which it considers applicable.²⁹⁸

In case of online transactions and online arbitration the parties have to choose the applicable law and may communicate them to each other through electronic mail. In regular arbitration, if the parties do not make a choice, then the arbitral tribunal has to decide the applicable law. Choice of law could be a serious issue in online arbitration if the parties do not specify the choice of law clearly. This is mainly because parties and arbitrators may be in different jurisdictions, the arbitration agreement may have been entered online and the contract concerning the dispute may have been entered into online.

²⁹⁴ GARY B. BORN, INTERNATIONAL COMMERCIAL ARBITRATION IN THE UNITED STATES, 24 (1994).

²⁹⁵ See Dr. Hong-Lin Yu, *Three Step Choice of Law Rules in International Commercial Arbitration?*, 64:3 ARBITRATION, 219 (Aug. 1998).

²⁹⁶ Michael Pryles, *Choice of law Issues in International Arbitration*, 63:3 ARBITRATION, 200 (Aug. 1997).

If the governing law is not agreed to by the parties then this may pose a serious issue, as there is no particular jurisdiction under which the Internet can be placed. So, parties should take care and decide the choice of law issues if they propose to settle their disputes through online arbitration.

C. Arbitration Agreement

When an arbitration agreement is entered into online the legal issues that arise are those relating to requirements of 'writing' and 'signature'. The New York Convention²⁹⁹ states that the term "agreement in writing" shall include an arbitral clause in a contract or an arbitration agreement signed by the parties or contained in an exchange of letters or telegrams.³⁰⁰ Many arbitration legislations stipulate that the agreement shall be in writing. Can an agreement if entered into online be considered "writing" under the various definitions is a moot question.

The UNCITRAL Model law provides that an "an arbitration agreement shall be in writing". It further clarifies that "An agreement is in writing if it is contained in a document signed by the parties or in an exchange of letters, telex, telegram or **other means of telecommunications which provide a record of the agreement....**"³⁰¹ The words "other means of telecommunications which provide a record of the agreement" could include online agreements. These wordings have been adopted in various national

²⁹⁷ Article 28 (1) of the UNCITRAL Model Law on international commercial arbitration.

²⁹⁸ Article 28 (2) of Model Law.

²⁹⁹ Convention on the recognition and enforcement of foreign arbitral awards, 330 U.N.T.S. 38 (New York, 10 June 1958) (Entered into force on 7 June 1959).

³⁰⁰ See *id* Article II (2).

³⁰¹ See Article 7(2) of the UNCITRAL Model Law.

arbitration legislations that have adopted the Model law.³⁰² Similar wordings are also found in the New ICC Rules of Arbitration but in the context of written notification or communications.³⁰³ However the International Arbitration Rules of the American Arbitration Association mentions under Article 2(1) that the party initiating arbitration shall give written notice....³⁰⁴ The broadest definition, which would also encompass communication by the Internet, is expressed in the definition of 'notice in writing' in the 1988 Unidroit Convention on International factoring where it is stated that "for the purposes of this convention 'notice in writing' includes but is not limited to telegrams, telex, and any other communication capable of being reproduced in tangible form."³⁰⁵

Jasna Arsic, in her excellently researched article, argues that in interpreting Article II (2) of the 1958 New York convention one has to have in mind the purpose of enacting such a provision, the state of technology at that time, and the general trend in defining "writing" in recent International Conventions.³⁰⁶ The requirement for signature as stipulated in Article II (2) of the New York Convention and also in various national arbitration legislation can be met by the recent adoption and legal recognition of digital signatures.³⁰⁷

³⁰² See for example Section 7(4)(b) of the Indian Arbitration and Conciliation Act, 1996.

³⁰³ See Article 3(2) of the Rules of Arbitration of the International Chamber of Commerce in force as from 1st January 1998.

³⁰⁴ The text of the International Arbitration rules of the AAA as amended and effective from April 1, 1997 can be found at http://www.adr.org/rules/international_arb_rules.html

³⁰⁵ Jasna Arsic, *International Commercial arbitration on the Internet: Has the future come too early?* 14:3 J. INT'L ARBITRATION, 209 at 215 (Sep. 1997).

³⁰⁶ *Id* at 216.

³⁰⁷ See for example Part VI "Effect of Digital Signatures" (Sections 19 to 22) of the The Electronic Transactions Act 1998, Republic of Singapore Government Gazette, Acts Supplement dated 10th July 1998. The Act was passed by Parliament on 29th June 1998 and assented by the President on 3rd July 1998.

In Electronic Commerce for example “cyber folklore warns that legal transactions may be more difficult to effect in cyberspace than elsewhere because cyber dwellers can achieve degrees of anonymity or pseudonymity. The fear seems to be that because we in cyberspace cannot see each other’s face, and cannot exchange handwritten autographs on paper, we cannot come to know each other or prove what we have agreed to. In other words, we cannot trust each other. This fear has spawned popular interest in so-called *Digital Signatures*, complex cryptographic schemes intended to permit the inhabitants of cyberspace to identify each other and authenticate their electronic documents.”³⁰⁸ So, Digital Signatures could be used for authentication in online arbitration agreements.

At this juncture it is important to discuss in detail about Encryption techniques and Digital Signatures. Encryption techniques consist of a shared key that determines how a character is represented in order to conceal the transmitted information from everyone but the recipient. Only the recipient would be able to decrypt the message.³⁰⁹ Encryption is crucial for secure data interchange and electronic commerce. “The more general form of ‘cryptography’ includes not just encryption, but also decryption, authentication, digital signatures, paternity, integrity, non-repudiation, key management and key certification. ‘Plain text’ is a message before it is encrypted. ‘Cyphertext’ is a message after it has been encrypted. ‘Cypher’ is the method or device that performs the encryption; a cypher can be a mathematical algorithm. ‘Key’ is analogous to a mechanical key that unlocks a mechanical door (that is, it is the means to activate the

³⁰⁸ See BENJAMIN WRIGHT, THE LAW OF ELECTRONIC COMMERCE, EDI, E-MAIL AND INTERNET: TECHNOLOGY PROOF AND LIABILITY, ET 1: 6 (2nd ed. 1996).

³⁰⁹ Assafa Endeshaw, *Emerging Encryption Laws*, THE SINGAPORE LAW GAZETTE 35 (March 1997).

cypher).”³¹⁰ Authentication is accomplished by using digital signatures. This authentication feature has three main aspects viz., proving that the person who claims to have signed the document actually did so (paternity), proving that the document was not altered since signature (integrity) and preventing a digital signer from later asserting that he did not sign (non-repudiation).³¹¹

The UNCITRAL Model law on Electronic Commerce provides that information shall not be denied legal effect, validity or enforceability solely on the ground that it is in the form of a data message.³¹² It further states that where the law requires information to be in writing, that requirement is met by a data message if the information contained therein is accessible so as to be usable for subsequent reference.³¹³ It also states that where the law requires a signature of a person, that requirement is met in relation to a data message if a method is used in identifying that person and to indicate that person’s approval of the information contained in the data message.³¹⁴

The Electronic Transactions Act of the Republic of Singapore³¹⁵ is an excellent piece of legislation that deals with, *inter alia*, the various aspects of cryptography and digital signatures. The Act defines ‘asymmetric cryptosystem’ as a system capable of

³¹⁰ Edward J. Radlo, *Legal Issues in Cryptography*, 13:5 THE COMPUTER LAWYER 1 (May 1996).

³¹¹ See *id* at 2. For a detailed analysis of Encryption techniques see in general Jane Hill, *Trusted Third Parties and the Provision of Encryption Services*, COMPUTERS AND LAW 30 (April/May 1997); John Adams, *Encryption – The Next Big Thing?*, COMPUTERS AND LAW 39 (Feb/March 1998).

³¹² See Article 5 of the UNCITRAL Model Law on Electronic Commerce available at <http://www.un.org/uncitral/english/texts/electcom/ml-ec.htm>. Also see Eugene Lee, *Can it be used in court?*, THE SINGAPORE LAW GAZETTE 25 (Dec. 1997/Jan. 1998); Kenneth Toombs, *The Legal Admissibility of Electronic Documents-Five Years On*, COMPUTERS & LAW 30 (Oct./Nov. 1997).

³¹³ See *id* at Article 6 (1).

³¹⁴ See *supra* n. 312 at Article 7 (1).

³¹⁵ See *supra* n. 307.

generating a secure key pair, consisting of a private key for creating a digital signature, and a public key to verify the digital signature.³¹⁶ 'Key pair', in an asymmetric cryptosystem, means a private key and its mathematically related public key, having the property that the public key can verify a digital signature that the private key creates.³¹⁷ 'Private key' means the key of a key pair used to create a digital signature. 'Public key' means the key of a key pair used to verify a digital signature.³¹⁸ For an analogy in the reverse this can be compared to a pager number. The holder of a pager gives his number to others and this number is something similar to a public key. When someone leaves a voice message after dialing his pager number he is able to retrieve it by using an access code. This is something similar to a private key. This analogy is only for the purpose to show that private key is only known to creator of a digital signature whereas the public key is known to people to whom messages are sent and who use them to verify the authenticity of the message that was sent using the private key by the sender. The Electronic Transactions Act adopts the Model Law on E-Commerce with regard to legal recognition of electronic records and requirement for writing.³¹⁹

However there may be a problem as not all countries recognise digital signatures and electronic records as "writing" and till such time that these are accepted as "writing" in those jurisdictions, conducting an online arbitration or entering into online transactions may be a problem in those countries. This may pose a problem mainly when the award is sought to be enforced in such jurisdictions. Anyway, there is a trend towards many

³¹⁶ See *supra* n. 307 at Section 2.

³¹⁷ See *id.*

³¹⁸ See *supra* n. 316.

³¹⁹ See *supra* n. 307 at Sections 6 and 7.

countries adopting new legislation to cater to the use of digital signatures and cryptography and it is hoped that soon many more will follow suit.³²⁰ However, it is to be noted that digital signature legislation is not a necessary pre-requisite to recognition of electronic records as "writing". It depends on the policy adopted by the government and courts of each particular country.

Arbitration agreements entered into online can be authenticated by digital signatures and the writing requirement can also be met if the message is accessible so as to be usable for subsequent reference. Hence agreements can be entered into by way of authenticated email messages.³²¹ However it has to be accepted that it will take some more time till parties enter into online arbitration agreements and prefer a full fledged online arbitration. This is mainly because of the insecurity that the parties may feel as the law is still not clear on this. The New York Convention may have to be amended to specifically include these kinds of online arbitration agreements so that it removes all doubts that arbitration agreements could be entered into online.

³²⁰ See for example Rosa Julià-Barceló and Thomas C. Vinje, *Another Step towards a European Framework for Electronic Signatures: The Commission's directive proposal*, 14:5 COMPUTER LAW & SECURITY REPORT 303 (1998); Viktor Mayer-Schönberger, Michael Pilz, Christian Reiser, Gabriele Schmölzer, *The Austrian Draft Digital Signatures Act*, 14:5 COMPUTER LAW & SECURITY REPORT 317 (1998); John Chong, *A Primer on Digital Signatures and Malaysia's Digital Signatures Act 1997*, 14:5 COMPUTER LAW & SECURITY REPORT 322 (1998); Jose Carlos Erdozain, *Encryption Methods and E-Commerce: The Proposed EU Directive*, 2:4 J. WORLD INTELLECTUAL PROPERTY 509 (July 1999).
³²¹ For an analysis on email see Robert Steinberg, Robyn Polashuk, Matthew Sant & Khai LeQuang, *Security and Privacy in the Age of Electronic Mail*, 2:4 J. WORLD INTELLECTUAL PROPERTY 657 (July 1999); Quentin Archer, *Windows on the World: The Use and Abuse of External E-Mail*, COMPUTERS & LAW 5 (Aug./Sep. 1997).

D. Arbitration Tribunal

The international character of the arbitration centre, its rules, the quality of the list of arbitrators maintained by the centre, the continuity of the centre etc., have to be taken into consideration while choosing a centre for online arbitration. An established and well organized arbitral institution can do much to ensure the smooth progress of an international commercial arbitration, even if the parties themselves or their legal advisers have little or no practical experience in that field.³²² But today probably except for the WIPO Arbitration and Mediation Centre and eResolution, no other Arbitration Centre has come out with a concrete proposal for online arbitration.

In case of online arbitration, the tribunal is constituted by the arbitral institution and the parties can choose the arbitrators from the panel of arbitrators of the institution. As online arbitration is still a baby it is better for parties to go in for online arbitration administered by institutions than to adopt *adhoc* online arbitration. Once online arbitration is adopted by many, probably then *adhoc* online arbitration would become very common. Till such time it is better to solve the disputes through online arbitration conducted by arbitral institutions.

E. Conduct of Arbitration Proceedings

Parties are free to agree on the use of electronic means for the conduct of arbitral proceedings. This flows from the fundamental concept of party autonomy, which is

³²² ALAN REDFERN & MARTIN HUNTER, LAW & PRACTICE OF INTERNATIONAL COMMERCIAL ARBITRATION, 155 (2nd ed. 1991).

explicitly mentioned in many arbitration laws.³²³ Online arbitration can be conducted by using various facilities such as email, chat room discussions and video conferencing. The parties and arbitrators can use electronic mail to send and receive messages and documents. They can discuss the case in chat rooms.³²⁴ The hearing itself could be conducted using this methodology.

Yet another technology which is being used very commonly these days is video conferencing. To use this technology persons need to have computers equipped with sound equipment and a video camera. They can view the faces of other participants and also hear what they speak through the audio system.³²⁵ This can be used to arrange multiparty conferences too. Video Conferencing would be a very useful technology for online arbitration. Arbitrators can conduct the hearings and submissions can be made on behalf of the parties using this technology. Examination of witnesses could also be done using this technology. These proceedings can be recorded and can be replayed anywhere at anytime by each participant having the ability to decrypt it.³²⁶ This ability to replay may be very useful for any future references. Even though a hearing takes place using various technologies, whether an award could be made in cyberspace is a very important question to be thought about when it comes to enforcement. This would be dealt with in the next heading.

³²³ Richard Hill, *Online Arbitration: Issues and Solutions*, 15:2 ARBITRATION INT'L L 199, 203 (1999).

³²⁴ "Chat rooms are virtual spaces, created by computer software that allows each person working at a network-connected computer to type messages that are broadcast to all other persons in the 'room', while simultaneously reading whatever is typed by each of the other participants." See Jasna Arsic, *supra* n. 305 at 211.

³²⁵ See *id* at 212.

F. Place of Arbitration and Award

The Place of arbitration is very important when it comes to enforcement of awards. Both are inter-linked. The concept that an arbitration is governed by the law of the place in which it is held, and that this is the "seat" or "forum" or "*locus arbitri*" of the arbitration, is well established in both theory and practice of international arbitration.³²⁷ If arbitration is conducted online then the question arises as to which is the exact place where arbitration takes place in the real world though we could say it takes place in cyberspace. One idea which arises is that the place of arbitration would be determined by the geographical location of the server of the computer ("*Lex Loci Server*") through which the Arbitration is taking place.³²⁸ However, it is acknowledged that the concept of "*Lex Loci Server*" is artificial and unrealistic as the location of the server may have no connection whatsoever with the parties or the arbitration proceedings.

The UNCITRAL Model law provides that parties are free to agree on place of arbitration and further states that the arbitral tribunal could meet at any place it considers appropriate.³²⁹ So, parties could apply this principle to online arbitrations also and probably chat and discuss the case in cyberspace and conduct hearings by using video conferencing. In Italy, for example, the new Article 837 of the Italian Code of Civil Procedure provides that with reference to international arbitration, the award must be decided with a majority vote by the arbitrators during their meeting, even if it is a video

³²⁶ See *supra* n. 305 at 213. For a general overview on Video Conferencing see Michael Kaye, *Video Conferencing: A Practical System at a Practical Price*, COMPUTERS & LAW 36 (Feb./March 1998).

³²⁷ See REDFERN & HUNTER at 81.

³²⁸ See *supra* n. 305 at 219.

³²⁹ See Article 20 of the UNCITRAL Model Law on international commercial arbitration.

conferencing meeting.³³⁰ The Italian law recognises the development of different means of communication and legitimates the decisions taken by arbitrators using video conferencing equipment.³³¹ Even though the arbitration could be conducted online the parties have to agree upon a seat of arbitration for purposes of the New York Convention.

If the rule laid down by the House of Lords in *Hiscox v Outhwaite*³³² were applied then the place of award would be the place where the award was signed. In this case it was held that though the entire proceedings were conducted in London the place where the award was made was 'Paris' as the award was signed there. This judgment has been widely criticized. Jasna Arsic discusses about this case in her article.³³³ Richard Hill in his comments on Arsic's article states that the *Hiscox* precedent has been explicitly overridden by the 1996 English Arbitration Act.

The effect of *Hiscox v Outhwaite* has been overridden by Section 53 of the English Arbitration Act 1996 which states that unless agreed by the parties, where the seat of arbitration is England, Wales or Northern Ireland, any award in the proceedings shall be treated as made there, regardless of where it was signed, dispatched or delivered to any of the parties. In Singapore, as regards domestic arbitration under the Arbitration Act (AA) there seems to be some confusion in relation to the place of arbitration.³³⁴ But under the International Arbitration Act (IAA) the position is very clear. The award shall state the

³³⁰ Francesco Gambino, *The issue of 'Place' in International Arbitration*, 2:1 INT'L ARBITRATION LAW REV. 22, 27 (Feb. 1999).

³³¹ See *id* at 28.

³³² [1991] 2 LLR 435-442. The House of Lords affirmed the judgment of the Court of Appeal in *Hiscox v Outhwaite* [1991] 2 LLR 1-22.

³³³ See *supra* n. 305 at 219.

³³⁴ See Lawrence Boo, *Arbitration*, Vol. 2 HALSBURY'S LAWS OF SINGAPORE, footnote 3 at page 88

date, and place of arbitration as determined by the parties or the arbitral tribunal as the case may be. The award shall be deemed to have been made at that place.³³⁵

Richard Hill in his article further states that most authorities have long held that the arbitration proceedings themselves can take place anywhere, and that the arbitral award is either made at the seat of arbitration determined by the parties, or at worst, at the place where the signature of the written award takes place.³³⁶ Thus, according to him, no legal difficulty should arise if arbitrators conduct proceedings over the Internet, provided that when they write the arbitration award they take precaution of indicating the seat of arbitration as the place where the award was made.³³⁷

So, when arbitration takes place online it is important where the award is made. The form of the award is also important. It is important that the arbitrators sign the award on a hard copy, as it would be easier for purposes of enforcement under the New York Convention. Jasna Arsic, Richard Hill and Deborah Enix-Ross have supported this view.³³⁸ Though it could be argued that online awards with digital signatures are authenticated awards it is better for the arbitrators to sign the award on a hard copy. This is because the New York Convention specifies that a party at the time of application for

(1998).
³³⁵ See Article 31(3) of the UNCITRAL Model Law, which is the first schedule to the IAA. Section 3 of the IAA provides that the Model Law (with the exception of Chapter VIII) has force of law in Singapore.
³³⁶ Richard Hill, *The Internet, Electronic Commerce and Dispute Resolution: Comments*, 14:4 J. INT'L ARBITRATION 103, 104 (December 1997).
³³⁷ See Richard Hill, *id.*
³³⁸ See Jasna Arsic, *supra* n. 305 at 217; Richard Hill, *supra* n. 323 at 207; Deborah Enix-Ross, *Online Arbitration: Fad or Future*, Paper presented at the Chartered Institute of Arbitrators Millennium Conference, London, November 18-19, 1999.

recognition and enforcement shall, at the time of application, supply the duly authenticated original award or a duly certified copy thereof.³³⁹

Conclusion

It is suggested that for the time being a full- fledged online arbitration might cause some legal obstacles. If certain procedures in arbitration such as making of award can be done in the regular method it would be better. Online arbitration is definitely cost effective and is faster.³⁴⁰ It saves a lot of time and facilitates dispute resolution from the places where the parties and arbitrators are located. It is a possibility that soon most arbitral institutions would start online arbitration. Probably a specialized International Arbitration Institution with its own rules needs to be established to deal specifically with all kinds of disputes that arises on the Internet and this tribunal can also help in conducting online arbitration for all kinds of disputes.

³³⁹ See Article IV (1) (a) of the New York Convention.

³⁴⁰ See Deborah Enix-Ross, *supra* n. 338 at page 3 where she gives a comparative table of costs and time incurred while sending Air Mail (US\$7.4 & 5 days), Courier (\$26.25 & 24 hours), Fax (\$28.83 & 31 minutes) and Internet email (\$0.1 & 2 minutes) from New York to Tokyo.

CHAPTER - 6

Conclusion

The various commercial legal issues arising over the Internet and in Electronic Commerce, the available options for dispute settlement and the legal issues that would arise if arbitration is chosen as a dispute resolution mechanism for these disputes have been analyzed in this thesis. It is to be accepted that mostly disputes in this area have been solved through court litigation. Very little arbitration has taken place for these disputes. Internet itself is a very new technology and 'Information Technology Law' is just shaping up. There has been a lot of litigation with regard to Internet issues especially in the United States and Europe. In Asia not many disputes have gone to court except for domain name issues. At this point of time when an area of law is quite new any conclusion drawn could only be tentative. Only time can say whether these inferences are correct.

International commercial arbitration could act as an effective alternative dispute resolution mechanism for disputes arising out of the use of Internet. Arbitrability of Intellectual Property disputes arising over the Internet could be one major concern in jurisdictions where Intellectual Property disputes are not arbitrable. Various national legislation have been discussed in this regard and a trend towards many countries adopting a liberal attitude has been highlighted. So it is hoped that in the years to come many jurisdictions would accept arbitration as a dispute resolution mechanism for Intellectual property disputes which would also apply to these disputes arising over the

Internet. The agreements entered into during the establishment of ICANN contain arbitration clauses if disputes arise in certain circumstances and this shows a trend towards organizations and parties involved with the Internet preferring arbitration to litigation. Electronic Commerce in open networks is booming and there is a possibility of many arbitrations for disputes arising in E-Commerce. Already there is presence of arbitration clauses in many 'form contracts' for Electronic Data Interchange (EDI), but this is a closed network E-Commerce. Modern E-Commerce mainly refers to trade in open networks. Here again parties could have arbitration clauses in contracts entered into online.

There have been recent discussions and writings on the possibility of an online arbitration.³⁴¹ This thesis discusses the various options available for online dispute settlement and highlights the various legal issues that would arise if arbitration were conducted online. One main aspect that stands out from the rest of the legal issues is the enforcement of awards that are passed after the conduct of arbitration through the Internet. It has been suggested that this procedure alone be done in the regular method. It is important for the arbitrators in an online arbitration to sign the award on a hard copy for the purposes of enforcement under the New York Convention.

It is predicted that arbitration would be chosen as a dispute resolution mechanism for Internet disputes to a greater extent in the near future and Information Technology would play a great role in international commercial arbitration in the years to come. The

³⁴¹ See articles written by Jasna Arsic, *supra* n. 305; Richard Hill, *supra* n. 323; Deborah Enix-Ross, *supra* n. 329.

Internet's Commercial Potential has been recognised following the development of the World Wide Web (WWW) in the 1990s and within a short span of time it has given rise to so many legal complications. One can imagine how much more it would develop in the coming years. To evolve a legal system to solve disputes over the Internet would probably be the biggest challenge for the lawmakers in the new millennium.³⁴²

³⁴² See Chandru Ganesh, *Arbitration as a Dispute Resolution Mechanism for the Domain Name System*, A Paper presented at the World Intellectual Property Organization's Regional Consultation on the Internet Domain Name Process held at Singapore on January 22, 1999, available at the WIPO Site at http://wipo2.wipo.int/dns_attachments/rfc3/attach917629720.doc, at page 10.

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